FINANCIAL TIMES

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Chirac trips but does not fall, Page 3

News summary | Business summary

Nicaragua sets free American gunrunner

Convicted US gun-runner Eugene Hasenfus left Managua for home, a free man, after the Nicaraguan Government pardoned him as a Christmas gesture to the American people.

The White House welcomed his release but said Nicaragua's left-wing leaders needed to do more if they wanted better relations with Washington. Page 6

New Hanoi leader

Vietnam named Nguyen Van Linh, a leading advocate of economic reform, to head the ruling Communist Party after the retirement of three veteran leaders and the dismissal of three members of the Politburo. Page 20

US arms for Chad

The US is rushing up to $15m worth of military equipment to Chad to help the government of President Hissene Habré to meet an attack by Libyan forces.

S Africa mine battle

Eleven black mineworkers were killed and 70 injured in renewed factional fighting at the President Steyn goldmine in the Orange Free State, in South Africa, bringing the death toll this week to 19.

Bokassa III at trial

Former Emperor Bokassa swayed, stumbled and showed signs of extreme fatigue as his murder and treason trial in Bangui, Central African Republic, heard details of his 14-year reign of terror. His French lawyer said he is suffering from high blood pressure but the trial continued.

Judge warns UK

Judge Philip Powell, angry at what he regards as British moves to prolong the Sydney legal battle to suppress the memoirs of former MI5 agent Peter Wright, said he would consider possible action against the UK Government for abusing his court. Page 4

Rhine pollution bill

France says it will present a bill for about $38m to the Swiss chemical firm Sandoz for pollution of the Rhine. Sandoz announced cuts in the production and quantities of pesticides stored in Basle.

EEC fishing deal

European Community fisheries ministers agreed on considerable cuts in fishing quotas, particularly in the North Sea, after almost 24 hours of tortuous negotiations in Brussels.

Sino-Soviet protocol

The Soviet Union and China signed a protocol on the use of river water along their disputed border, Tass reported from Peking. It includes projects intended to boost both economies.

Bogota crackdown

President Virgilio Barco of Colombia and his Cabinet decreed tough new laws against drug trafficking after the murder of Guillermo Cano, 61, editor of the Bogota daily, El Espectador, a determined opponent of the drug bosses.

AFP chief quits

Henri Pigeat resigned as president of Agence France-Presse under growing pressure from an eight-day strike by journalists opposing his plans to restructure the deficit-ridden French news agency. About 300 jobs would go.

Banker's $4m ransom

Antonio Beltrao Martinez, vice-president of Brazil's Bradesco bank, has been released by kidnappers after payment of a $4m ransom. He had been held for more than a month.

New chief appointed to IMF board

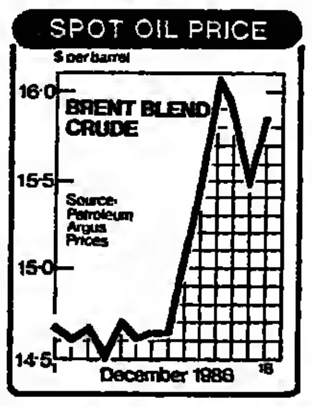
MR MICHEL Camdessus was yesterday unanimously appointed the new managing director of the International Monetary Fund (IMF) at a meeting of the 22 strong executive board in Washington Page 20

KLM, Royal Dutch Airlines has offered $975m for the Hilton International hotel chain of Transworld, the US food services and hotel group, in a move aimed at strengthening KLM's growing hotel business. Page 21

FRENCH Government has stepped up its privatisation programme with the announcement that three state-owned banks would be put on sale in the second quarter of next year. Page 20

ROLLS-ROYCE will be privatised in April or May next year, Trade and Industry Secretary Mr Paul Channon said, and special provisions will be made to ensure the company remains substantially in UK hands. Page 8

SPOT OIL PRICE



OIL market trading was volatile on confused news from the Opec meeting. By the close, North Sea Brent crude for January delivery was at $15.85, against $15.50 on Wednesday. Page 38

WALL STREET: The Dow Jones industrial average closed down 5.49 at 1,912.82. Page 46

LONDON: Stocks edged lower with the FT-SE 100 index dropping 5.7 to 1,630.6 and the FT Ordinary index showing a 5.5 decline to 1,270.6. Gilts firmed on foreign buying. Page 46

TOKYO: A wave of small selling sent share prices lower. The Nikkei market average finished at 18,723.73, down 124.05. Page 46

GOLD rose $1 to $393.00 on the London bullion market. In Zurich it fell to $391.75 ($392.45). The Comex February settlement was $397.80 Page 38

DOLLAR closed in New York at DM 2.0060; SFr 1.6835; FFr 6.5675 and Y162.925. It fell in London to DM 2.0090 (DM 2.0160); it also fell to Y162.95 (Y163.60); SFr 1.6875 (SFr 1.7010); FFr 6.5875 (FFr 6.60). On Bank of England figures the dollar's exchange rate index fell to 110.9 from 111.1. Page 39

STERLING closed in New York at $1.43075. It closed in London at $1.4310 ($1.4300); but fell to DM 2.8750 (DM 2.8825); to Y233.25 (Y234.0); to SFr 2.4150 (SFr 2.4325); to FFr 9.4275 (FFr 9.4375). The pound's exchange rate index remained unchanged at 68.6. Page 39

CITROËN, private French car concern owned by Peugeot, expects to report a profit of about FFr 300m ($45.5m) this year after six consecutive years of losses. Page 21

REFAAT EL-SAYED, former majority owner and chief executive of Fermenta, troubled Swedish biotechnology group, admitted to borrowed SKr 50m ($7.2m) at a foreign bank to boost the group's 1985 profits. Page 21

KVAERNER, Norwegian engineering, energy and shipping group, has fought off the first round of a takeover bid by Elkem electro-chemicals and metals group, at an extraordinary shareholders' meeting. Page 24

Moscow sacking sparks regional riots

BY PATRICK COCKBURN IN MOSCOW

SERIOUS RIOTING broke out in the capital of the Soviet central Asian republic of Kazakhstan in protest against the dismissal of the Republic's Communist Party leader last Tuesday.

The announcement of the riots at the end of the Soviet television news last night is the first time the official media has reported active opposition to changes introduced by Mr Mikhail Gorbachev, the Soviet leader.

The riots were centred in Alma Ata, the capital of Kazakhstan, when news spread that Mr Dinmukhahmed Kunaev, Communist Party leader of the Republic since 1966, had been replaced by a Russian.

The Soviet news agency Tass said the riots were "incited by nationalist elements" who had taken to the streets. It added that "hooligans, parasites, and other anti-social elements" were involved.

The rioters set fire to a food store and private cars. Tass did not say if the unrest was still continuing.

Local groups and Communist Party members were reported to have called for measures against the rioters and the television claimed that this demand was supported by working people.

THE Soviet Union said yesterday it would resume nuclear testing as soon as the US detonates its first explosion in 1987, ending Moscow's unilateral moratorium which has been in effect since last year. Page 20

The announcement of riots by the official media in the Soviet Union is wholly unprecedented but it is unclear whether last night's news is the result of Mr Gorbachev's new policy of openness or because of the seriousness of the unrest.

The majority of the population of Alma Ata is Russian who are also the largest ethnic group in Kazakhstan but the city contains a significant Kazakh minority. Although there have been no official reports of nationalist unrest in the past observers were surprised that Mr Kunaev was replaced last Tuesday by Mr Gennady Kolbin, a Russian.

The sacking followed an extensive purge of senior provincial party bosses appointed by him in the wake of allegations of corruption and falsification of economic statistics. Several were subsequently arrested on corruption charges.

Resistance to the radical purge of senior party officials in the five Soviet Central Asian republics, which has been going on since 1982, is likely to have a major shock effect in Moscow.

Conservative elements within the Communist Party and state leadership have warned that the radical changes in personnel and policy introduced by Mr Gorbachev would destabilise the regime and they may take the riots in Alma Ata as confirmation that their fears were justified.

Continued on Page 20

British insider dealing investigation spreads to government department

BY CHARLES BATCHELOR AND CLAY HARRIS IN LONDON

THE SCALE of insider dealing scandals which have rocked the City of London over the past month widened dramatically yesterday with a British Government announcement that it had begun an investigation into alleged wrongdoing at the Department of Trade and Industry (DTI) itself.

Mr Paul Channon, UK Trade Secretary, announced yesterday that he had appointed inspectors to investigate whether officials had contravened the Company Securities (Insider Dealing) Act of 1985 in their handling of information relating to the Fair Trading Act of 1973.

The inspectors will look at the DTI and at two of its sections: the Office of Fair Trading, which recommends whether or not a takeover bid should be subject to a monopolies review, and the Monopolies and Mergers Commission, which carries out the review.

The appointment of the inspectors follows allegations that public servants may have misused information.

The DTI declined to comment on the precise subject of the investigation. However, it comes a week after press speculation that leaks from the DTI might have prompted dealings in the shares of IC Gas around the time the DTI announced the Monopolies Commission would review the £750m takeover bid from Gulf Resources, a company controlled by the Barclay twins, David and Frederick.

Mr Channon named the inspectors as Mr John Lindsay, QC, and Mr Peter Crozier, a former head of the Inland Revenue inquiry branch. They have been appointed under a section of the Financial Services Act implemented last month in response to the insider dealing scandal at Morgan Grenfell, the merchant bank. The Act as a whole will not be implemented until next month.

The inspectors will have far-reaching powers to require people to produce documents, attend hearings and give evidence under oath.

News of the DTI investigation came just hours after Guinness, the subject of a probe by DTI inspectors, disclosed that Guinness America, a fully-owned subsidiary, had invested $100m in a fund formed by Mr Ivan Boesky, the disgraced New York share dealer recently fined $100m for insider dealing. The two developments are not believed to be linked.

The diversified drinks group invested in the partnership on May 28 with the intention of subsequently using the proceeds for a US acquisition, according to Mr David Wynne-Morgan, the chairman of Hill and Knowlton, public relations consultants appointed special adviser to Guinness during the investigation of the company's affairs by the DTI.

"They saw this as a safe and profitable haven for their funds," Mr Wynne-Morgan said. "Guinness wanted Boesky to be a part of whatever they did in the US. They saw him as a trusted adviser.

Guinness insisted that the investment had no connection with its successful bid for Distillers, which was concluded about a month before. The DTI is studying, among other things, share dealings by Mr Boesky and others during that takeover battle.

Guinness said yesterday that its board had been in regular contact with Mr Boesky, a large shareholder in Distillers, throughout the bid.

Guinness said that it had cleared the investment with the Inland Revenue but had not disclosed it to shareholders because it was "almost like putting money in the bank."

When Mr Boesky's insider trading was revealed in November, Guinness once again decided against disclosure because it thought the partnership could "be wound up satisfactorily without the glare of publicity."

Disclosure was further delayed by the appointment of DTI inspectors on December 1. The company's directors would "make exactly the same decision under the same circumstances," Mr Wynne-Morgan said.

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AT&T writes off $3.2bn and plans 27,000 job cuts

BY ANATOLE KALETSKY IN WASHINGTON

AMERICAN Telephone & Telegraph (AT&T) yesterday announced a charge of $3.2bn – probably the largest write-off in corporate history – against its 1986 earnings.

The giant telecommunications company said the charges related to planned "restructuring and resizing" of operations across its whole range of activities, in line with the strategy of refocusing on the group's core businesses.

The write-offs, which would amount to $1.7bn or $1.63 per share after tax, would push AT&T into loss in the fourth quarter and would reduce the year's total profits to a "small" figure. The positive effects of the restructuring would probably not appear in the corporation's results until 1988, the company said.

Details of the planned cutbacks were not disclosed and the company said that it so far had only identified the general scale of the retrenchments required and the losses involved.

It did say, however, that the workforce would be reduced by a further 27,400 on top of the large reductions already announced in the past two years.

By the end of 1987, after the planned redundancies are completed, AT&T will employ just over 290,000 people, some 80,000 fewer than it employed in January 1984 immediately after the breakup on anti-trust grounds of the old AT&T telephone network.

The labour force reduction would account for $1bn of the charges announced, the company said. Consolidations and streamlining of the company's physical facilities, including factories, offices and warehouses would account for a further $1.2bn of the $3.2bn total. The additional $1bn was being charged for reductions in the value of assets and write-downs in inventory valuations. One element in these write-downs was due to the price discounting on AT&T's personal computers, executives said.

Mr James Olsen, AT&T's chairman, said that the strategy embodied in the announcement consisted of three elements.

The company would seek to sustain and enhance its core business of long-distance telecommunications by maintaining its leadership in technology and costs. It would also develop its data networking activities, including the marketing and manufacture and computer work stations, mini-computers and networking products such as private branch exchanges. And it would become a leader in the international marketplace, competing "aggressively" in the provision of international telecommunication services and in the sales of public switching equipment throughout the world.

Mr Olsen insisted that the company had no intention of leaving the computer manufacturing business.

International Business Machines (IBM), the world's largest computer manufacturer, said that more than 10,000 of its US employees would be taking early retirement under the retirement incentive scheme launched earlier this year as part of a wide-ranging response to weak computer sales and adverse business conditions. The company noted that it sees no signs of improvement in the general business climate as 1987 approaches and intends to continue with cost reduction actions throughout its operations.

UK to buy Boeing on 'unanimous scientific advice'

By David Buchan and Lynton McLain

BRITAIN is to buy six Boeing Awacs radar aircraft for £860m ($1.2bn) with an option to buy two more, and scrap nine years of development of the British airborne early warning system by General Electric Company.

Mr George Younger, Defence Secretary, told parliament that the ending of the ill-starred Nimrod programme, which has cost £930m at current prices, was "a sad decision to have to take, but I have no doubt that it is the right one."

The clear and unanimous advice of his scientific and service advisers was that even with three more years of development Nimrod might not match the RAF's requirements. "The risk was too great to take."

The controversial move to go for the technically superior, but more expensive US system may presage a defence spending crisis next year. Mr Younger said that the initial Awacs purchase would be contained within the defence spending limits already laid out in the government budget plans.

However, Mr Younger and Air Chief Marshal Sir David Craig, chief of the air staff, admitted that six Awacs would be insufficient to properly patrol UK airspace and the surrounding sea – eight of the aircraft would be needed.

Mr Younger said that he would be looking for adjustments in future defence spending to allow purchase of the full complement of eight Awacs at £1.05bn. He said an extra £860m was needed on top of the £930m already spent to complete Nimrod.

Boeing will start delivering Awacs to Britain in 1991, at a rate of three a year. Mr Younger said that he would be happy to lease some Awacs before then, but since those in service with the US and other Nato countries were fully utilised this would probably not be possible. Boeing had not made any offer to lease Awacs to Britain.

So, until the early 1990s, Britain would have to make do with its ageing Shackletons and their Second World War radar to give it airborne warning cover.

As for the 11 Nimrod airframes that had been set aside to take the GEC radar system, Mr Younger said seven might be used for spares for other Nimrod maritime reconnaissance aircraft. The fate of the rest was uncertain.

France will very probably follow Britain in buying Awacs, said Mr Younger, after speaking to Mr André Giraud, his French counterpart.

Background, Page 8

OECD urges co-operation on foreign exchange policy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

INDUSTRIALISED countries could face renewed turbulence on foreign exchange markets unless they strengthen co-operation in economic policy making, the Organisation for Economic Co-operation and Development said yesterday.

In its half-yearly Economic Outlook the Paris-based organisation called on leading Western nations to co-ordinate monetary policies to promote a pause in the dollar's depreciation against other leading currencies.

The report added, however, that over the medium term, elimination of large current account imbalances in the world economy – principally the huge US deficit and the parallel Japanese surplus – may require a further dollar decline.

Introducing the publication in Paris, Mr David Henderson, the head of the OECD's economic and statistics departments, said that there were encouraging signs for the economic outlook. The shift in the pattern of exchange rates since mid-1985 and the more recent changes in the structure of growth in major economies suggested progress was being made in reversing current account imbalances.

Mr Henderson added, however, that the necessarily slow pace of such adjustment held out the danger of currency market disorder or heightened political pressures for protectionism. "If markets – or for that matter electorates – came to lose patience there could be risks to the continued recovery."

The Outlook projects that growth in the main industrial economies will continue at a rate of 2½ to 3 per cent over the next 18 months, with inflation remaining subdued. It foresees little chance, however, of any reduction in unemployment, suggesting that more than 30m people will still be without jobs in its 24 member countries by the first half of 1988.

Mr Henderson said that the priority for US policy makers should be further reductions in their budget deficit. Japan and West Germany could contribute to a more balanced recovery by taking additional measures to stimulate demand in their economies.

The organisation forecast a sharp deterioration in Britain's trade position and a modest but steady rise in its inflation rate.

In an unusually candid assessment of Britain's prospects it said that there had been a shift towards expansion in the Treasury's fiscal policy. It warned that the Government's declared aim of reducing taxes might not be consistent with meeting its targets for public borrowing.

Over the short-term, the OECD says that there are improved chances for faster growth in Britain, buoyed by strong consumer spending and an expected upturn in exports. It endorses the Government's decision to downgrade monetary targets because of the distortions arising from changes in financial markets.

The report adds, however, that optimism over the immediate outlook should be tempered by the risk of an acceleration in inflation

OECD economists predict that Britain will have a current account deficit of $4.75bn (£3.3bn) next year, more than double the figure forecast by the Government. The gap is then expected to widen further in 1988, with a deficit of $4.25bn forecast for the first six months of 1988.

It is understood that the OECD's projections for the deficit were initially slightly higher than those published yesterday. They were reduced after the organisation's economists accepted arguments put forward by Treasury officials that they had underestimated the likely surplus of invisible trade.

The forecast of a growing current account deficit and the perceived danger of further overshoots in public spending are thought to be behind the OECD's thinly veiled warnings on the stance of fiscal policy.

It suggests that the Government will not be able to rely indefinitely on the current buoyancy of tax revenues and says that despite the increase in official spending targets last month, further overruns in the total cannot be excluded.

Details, Page 2

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Consumer only partly benefits from oil price cut

By Janet Bush

SEVERAL countries have been slow to react to unprecedented declines in oil and other commodity prices and the benefits *have been only partly passed on* to consumers, the OECD says.

While consumer prices as a whole have beld nearly stable, consumer energy prices in the seven largest economies declined by almost 10 per cent in the period from the first quarter of 1985 to the third quarter of this year.

Sharp declines

There were sharp declines in consumer energy prices in West Germany (19 per cent), France (14.5 per cent) and the Netherlands (15 per cent). The OECD says *this* reflected in part tha higher starting level related to the earlier strength of the US dollar.

There were relatively small declines in consumer energy prices in Britain and Italy — 3 per cent and 6 per cent respectively — and actual increases in Denmark (3 per cent), and Norway (6.5 per cent).

Although regulated prices are typically edjusted in a way which cushions consumers from large fluctuations in primary energy prices, it appears that profit margins of pnblic utilities in the OECD area have recently *increased significantly.*

Domestic costs

In addition, energy taxes have been raised in a number of countries.

In general, final sales prices *have failed to reflect fully not* only the sharp declines in import costs but also a moderation in domestic costs, implying substantial improvements in profit margins.

The increase in profits do not appear, however, to have been reflected in a significant increase in investment by the business sector, the OECD says.

The extent to which the effects of commodity price declines were still to come through to final users was difficult to assess. In the past, declines in import prices have eventually tended to be reflected in consumer prices and past experience suggests a more rapid reaction than appears to have taken place so far.

Current account imbalances threaten growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

INDUSTRIAL countries can expect an annual growth rate in their economies of 2½ to 3 per cent over the next 18 months, but international current account imbalances pose a serious risk, the Oragnisation *for Economic Co-operation* and Development says.

In its latest Economic Outlook the OECD says lower oil prices and interest rates and changes in exchange rate patterns have enhanced tha prospects for sustained, though moderate, growth at low rates of inflation.

The main priority of policy-makers should be the unwinding of international trade imbalances while maintaining low inflation and strengthening the momentum of output and employment growth.

In a review preoccupied with the dangers to the world economy posed by the huge US current account deficit and parallel surpluses in Japan, and to a lesser extent West Germany, the OECD calls for greater international co-operation.

"There is a danger that impatience with tha reduction of large surpluses and deficits could provoke disorderly exchange-market conditions or lead to intensified protectionist pressures.

"Either of these could impair the strength of world growth," the OECD says. "It will be important to convince exchanga markets not only that imbalances are starting to shrink in tha short-term but also that this process will be sustained by the medium-term setting of policy," it adds.

The pattern of demand and output growth in the major economies — with domestic demand rising less fast than output in the US and the opposite *occurring in Japan and West* Germany — has moved in the right direction.

The sharp depreciation in the dollar's valua bas also begun to be reflected in movements in trade volumes between surplus and deficit countries, although that bas been limited by the tendency of exporters to the US to rednce their profits rather than to accept a lower market ehare.

A reduction of nominal current account imbalances is, however, likely to be a slow process, partly because US exports must grow much more rapidly than imports simply to maintain an *unchanged deficit.* The reverse is true for countries with large surpluses.

The US deficit is thus unlikely to fall below $130bn over the next two years, while Japan's surplus is projected to remain ebove $70bn. West Germany's surplus is expected to show e steady decline, though it will still be running at an annual rate of $20bn in tha first half of 1988.

The OECD concludes: "Major current account *imbalances* remain a key macroeconomic problem facing OECD countries. Failure to correct them in a smooth manner could jeopardise growth, high employment and price stability."

Referring to the dollar's sharp depreciation tha organisation says that there *is* a good case for a pause in exchange rate movements for the time being, a factor which the major economies should take into account in their monetary policy.

It gives a strong hint, however, that a further dollar devaluation will be needed over the medium term.

"Further exchange rata changes over the medium term would strengthen the adjustment process. And greater divergence in growth rates of domestic demand across countries ... would also contribute to better balance."

In its policy prescriptions for individual countries it identifies a sustained reduction in the budget deficit as the first priority for the US Administration. Although the deficit is *projected to fall substantially* in 1987, further reductions beyond that will require another round of cuts in federal spending or the *implementation of tax increases.*

For Japan, the OECD says, the need is to maintain a growth rate of domestic demand in excess of the growth rate of productive potential. In particular the Tokyo Government should take further measures to pass on the benefits of its recent terms of trade gains to consumers.

In Europe, the priority should be to maintain the momentum of the recent acceleration in domestic demand. In a thinly-veiled reference to West Germany, the OECD says: "Should domestic demand weaken over the next year, those few countries that have regained some room for manoeuvre in their budgetary policies should be prepared to use it."

More broadly, the OECD says that governments should press ahead with measures to reduce rigidities in their economies.

Priority should be given to making labour markets more flexible, to phasing out industrial subsidies and tax incentives, and to the further liberalisation of world trade. Government's should also begin to tackle the major distortions caused by the massive build-up of agricultural subsidies in recent years.

OECD Economic Outlook No 40, December 1986, Available from OECD sales agents or from 2 rue Andre Pascal, 75775 Paris Cedex 16, France.

SUMMARY OF PROJECTIONS

Seasonally adjusted at annual rates

	1984	1985	1986	1987	1988 (First half)
Real GNP (per cent change)					
US	6.4	2.7	2½	3	3
Japan	5.1	4.5	2½	2½	3¼
Germany	3.0	2.5	2¾	3	2
Total OECD	4.7	3.0	2½	2¾	2¾
Real total domestic demand					
US	8.3	3.4	3½	2¾	2¾
Japan	3.8	3.6	3¾	3½	4½
Germany	1.9	1.5	4½	4½	3½
Total OECD	5.0	3.1	3½	3	3
Inflation (private consumption deflator)					
US	3.8	3.5	2½	3	3½
Japan	2.1	2.2	½	0	½
Germany	2.5	2.1	−½	½	1½
Total OECD	5.0	4.5	2¾	3	3
Current balances ($bn)					
US	−106.5	−117.7	−138	−136	−133
Japan	35.0	49.2	82	77	72
Germany	7.0	13.2	32	26	21
Total OECD	−65.8	−57.5	−20	−34	−47
OPEC	−9.6	−4.7	−51	−42	−29
Non-oil developing countries	−22.2	−20.4	−7	−4	−6
Unemployment (per cent)					
US	7.5	7.2	7	6¾	6¾
Japan	2.7	2.6	2¾	3¼	3½
Germany	8.2	8.3	7½	7½	7½
OECD Europe	10.7	10.9	11	11	11
Total OECD	8.4	8.3	8½	8½	8½
World trade (% change)	8.8	3.7	3½	3½	4½

Assumptions underlying the projection include.
—*no change in actual and announced policies;*
—unchanged exchange rates from November 4 1986; in particular $1= yen 163.4, DM 2.058.
—Dollar prices (OECD fob imports) for internationally traded oil of $15 per barrel.

Jobless set to remain at 31m

BY PHILIP STEPHENS

PROSPECTIVE growth rates in tha *industrialised economies* and a small increase in the number of peopla in jobs will not be enough to dent tha massive unemployment total over the next 18 months, the OECD says.

It predicts that more than 31m people will remain without work in its 24-member countries into the first half of 1988, and expresses concern that in some nations the trend may have become *self-perpetuating.*

Across industrialised countries, the US is expected to contimne to ontperform Europe in creating jobs and could see *another small reduction* in its jobless total. The number of people in the dolc queues of Europe, bowever, is forecast to rise fractionally.

The averaga unemployment rate in Europe is projected to remain at 11 per cent over the next 18 months, whila that of *the US could fall from* the present 7 per cent to 6½ per cent. In Japan tha jobless rate is expected to increase steadily to a post-war high of around 3¼ per cent.

Particularly worrying for Europe is the evidence that the effect of high and long-term unemployment over the past few years may have raised the structural, or natural rate, below which inflation is likely to accelerate.

The OECD identifies a number of possible causes for this phenomenon, known to economists as hysteris. These inclnde: deterioration of buman capital as a consequence of prolonged spells of unemployment; the effect of prolonged slack in economies on investment; and a split between so-called "insiders" with jobs and "outsiders" on the dole

Sale of state assets may reduce government wealth

BY JANET BUSH

THE TREATMENT of privatisation proceeds as deficit reducing or even as negative spending may lead to the incorrect impression that a government's budget position has improved when all that has happened is that its financing has become *easier, according to the OECD.*

In a study of privatisation in member countries, it said the sale of state assets often *improved efficiency and that,* under certain circumstances, a government's budgetary flexibility was enhanced.

For instance, the proceeds could be used to reduce government debt and future debt servicing costs and therefore the required level of taxes could be lower. This would in principle permit a future reduction in tax distortions which, in turn, would improve economic performance, the OECD says.

Each sale of a public asset, bowever, provided a government with only a once-and-for-all source of revenue and the continual disposal of assets inevitably redneed a government's wealth, making it necessary to find alternative financing.

"Tha danger of bringing revenues from asset sales on-budget rather than keeping them off-bndget is that, by running down their stock of assets, governments will eventually find themselves even more constrained either to raise taxes, accept further increases in net debt, or monetise future deficits *in order to finance the flow of* expenditures," the OECD says.

In the US, as in many other countries, receipts from asset *sales* ware *treated as deficit* reducing and such "revenues" were being relied on to make up tha difference needed to achieve Gramm-Rudman-Hollings budget deficit limits.

Later difficulties

"However, substantial reliance on current receipts from asset sales for deficit reduction would eventually create difficulties for the budgetary position in later years," the OECD says.

If a natural monopoly such as electricity distribution or other public ntilities were to be privatised, there had to be some form of regulation in order to ensure that efficiency gains were not offset by monopoly pricing.

Michelin supplies radials for US Air Force fighter

BY PAUL BETTS IN PARIS

MICHELIN, THE French tyre group, has supplied the US Air Force for the first time with radial tyres. The tyres are for the MacDonnell Douglas F-15E fighter aircraft officially unveiled yesterday.

The deal is regarded as a breakthrough for the French tyre maker, which has eight plants in the US and Canada.

Since 1983, Michelin has supplied about 10,000 of its Air X radial tyres to the aerospace industry, but the F-15E order is the first in which a US fighter *aircraft is originally equipped* with radial tyres.

Michelin said yesterday the US Air Force and McDonnell Douglas had chosen the radial tyre because it provided about 20 per cent weight savings compared with conventional tyres and had a longer lifa expectancy than conventional bias ply tyres.

The tyre, introduced two years ago by Michelin, is much lighter and tougher than conventional tyres. It allows airliners to increase payload while reducing the risk of tyre failure.

Michelin declined to say how many Air X tyres it was supplying nor disclose the value of the deal. However, the significance of the order is probably far greater for Michelin's image in North American where after investing more than $1bn its operations are now prafitable.

● Japan is stepping up its control on exports of fork lift trucks in the wake of complaints by European producers about *a surge of* Japanese imports, Ian Rodger *reports* from Tokyo.

It is hoped the tighter restraints will reduce exports by about 20 per cent next year.

Only new trucks are covered under the current voluntary restraint system, managed by the Japan industrial vehicle association. The surge has been of so-called "grey" trucks by independent factoring companies. Grey trucks are those shipped after having been used briefly in the hope that they will pass customs as used goods.

In the first eight months of 1986, 1,835 used trucks were shipped from Japan to EEC countries, 80.4 per cent more than in the same period of 1985.

Boussac awaits ruling on state aid repayment

BY WILLIAM DAWKINS IN BRUSSELS

BOUSSAC Saint-Frères, the leading French textile group, will find out in the next three months whether it will be compelled to repay up to FFr 1bn (£105.6m) in state aid received from the Paris government.

The exact size of the penalty will be fixed by the European Commission after meetings between now and March with the French authorities. This follows a commission ruling that aid granted by the state-controlled Industrial Development Institute between 1982 and 1985 to the formerly bankrupt group broke EEC textile competition rules and was not notified to the Brussels authorities.

The decision, the commission's biggest ever challenge to state subsidies, comes after a long and acrimonious wrangle between Mr Jacques Delors, the commission president and Mr Peter Sutherland, the Irish competition commissioner. It is the sixth time in the past three years that the commission has demanded that a textile company repays unauthorised state aid.

Mr Delors, who was French Finance Minister for six months in 1984, is known to advocate a flexible stance on competition policy so as not to alienate member states, while Mr Sutherland holds a tough contrasting line. It is believed that Mr Delors' influence is reflected in the ruling, which significantly leaves the size of the repayment open to negotiation and stresses that the outcome must "take into account the viability of the business."

That aspect of the commission's decision was welcomed yesterday by the French Industry Ministry, which said the ruling was "moderate and takes account of all the elements." It added: "The French Government congratulates itself that the commission shares the will of France to ensure the continued survival of the enterprise."

In spite of its moderation, the move was welcomed yesterday by the British textile industry, which is smarting from the commission's refusal last year to permit a £20m government re-equipment grant, and by the West German Government, a strong advocate of competition discipline.

"Our feeling is one of relief that the commission has reaffirmed its intention to keep discipline in the textile industry. If it had not taken action against Boussac, we would have seen that discipline begin to crumble," said Mr Colin Purvis, assistant director of the British Textiles Confederation.

Boussac, which numbers Christian Dior and Ted Lapidus among its best known brand names, filed for receivership at the onset of the recession in the French textile industry five years ago, leaving behind it FFr 5bn of debts. It was taken under indirect control in 1982 by the then Socialist Government.

EEC officials said Boussac was unlikely to have to repay the full FFr 1bn believed to have been pumped into the group since its rescue. The bulk of the aid came in the form of share capital and loans, an unknown proportion of which was lent at subsidised rates.

Any redundancy assistance in the aid package will be untouched, since EEC competition policy does not demand repayment of financial assistance that was intended for workers.

AFP chief quits but strike continues

By George Graham in Paris

AGENCE France Presse, the embattled French national news agency, yesterday lost its chairman but failed to resolve its week-old strike.

Mr Henri Pigeat, chairman and chief executive for the last seven years, resigned yesterday, but AFP's board announced that it would still carry out his restructuring plan, which sparked off the journalists' strike.

Journalists at the agency had earlier felt that Mr Pigeat's departure would defuse the tension and bring AFP's wire services back to life. The board's refusal to drop the restructuring plan, however, led to a hardening of attitudes yesterday and the possibility of a vote in favour of continuing the strike.

The strike at AFP, whose cumulative deficit will have reached FFr 203m (£21.5m) by the end of this year, has led to the blocking by the government of some FFr 86m of state funds and the possibility that the agency may be forced to seek the appointment of a receiver.

The AFP board said yesterday that government officials had confirmed that payment of the funds remained subject to the application of the economy plan drawn up by Mr Pigeat, which aims to cut 300 of the agency's 2,000 jobs and reduce annual costs.

The nomination of a new president for AFP will come from its administrative board, on which the majority is composed of representatives of the written press, who are themselves AFP's customers. This majority threatened to resign en masse if the journalists had not ended their strike by last night.

Paris to compensate dairy farmers

BY PAUL BETTS IN PARIS

THE FRENCH conservative government is to grant FFr 2bn (£210m) aid to French farmers to compensate the 5.9 per cent loss in French farm incomes between 1982 and 1985.

The new aid package, announced yesterday by Mr Jacques Chirac, the Prime Minister, is also aimed to calm a wave of rising protests among French farmers following the latest EEC agreements on reducing milk production.

The package includes a 3 per cent cut in interest rates on non-subsidised loans taken out by farmers between 1981 and 1985 and a 2 per cent reduction on loans to young farmers.

It also includes FFr 600m in aid to finance a new restructuring of the French dairy industry and special assistance to farmers who are no longer able to pay their social security contributions. A further FFr 450m is also being granted to help beef and lamb producers.

The total value of the package is put at about FFr 2.05bn. The measures had been awaited for some time by an increasingly restless French farming community.

Farmers yesterday besieged a prefecture in the Grenoble area and blocked roads in the northern part of the country the day before. After the recent protests by French lamb producers, the milk producers have again threatened to take to the streets as a result of the latest milk production cuts decided in Brussels.

Mr Chirac, a former agriculture minister and always sensitive to the farming vote, is clearly anxious to avoid facing farming protests, especially after the recent student agitation which shook the government.

Mr François Guillaume, the Agriculture Minister and former head of the main French farming union FNSEA, also sought to appease his former members but insisted that a further restructuring of the French milk industry was necessary. This would involve encouraging some farmers to retire to give greater opportunity for other producers who needed to develop their activities.

Mr Guillaume came under heavy fire in the National Assembly in a rowdy debate after the latest community measures. Mr Michel Rocard, the former socialist agriculture minister, attacked Mr Guillaume for opposing milk quotas two and a half years ago when he was leading the French farmers union and now arguing for the need to increase cuts to milk production.

The issue is especially sensitive in France because of the importance and varied nature of the dairy sector with efficient and productive farms on the one hand, especially in a region such as Normandy, and small farms with old-fashioned and unviable production on the other. France accounts for about 25 per cent of European milk production.

The problems of the dairy sector are reflected in the latest figures of the French milk producers association showing that the number of dairy farmers has declined from 355,000 last July to 299,000 last April. A further 25,000 producers are now expected to disappear in the current farming year.

Bundesbank sets wider monetary target

By Andrew Fisher in Frankfurt

THE BUNDESBANK yesterday set a wider target range for next year's money supply growth after overshooting the mark this year and also made clear that no cut in the West German discount rate was in the offing.

Mr Karl Otto Poehl, president of the Bundesbank, said a reduction in the 3.5 per cent discount rate was not to be expected before or after the general election on January 25.

...The US Administration has been pushing for a cut in the key rate for some time in a bid to help make its own exports more competitive. The Bundesbank and the Bonn Government have, however, argued that the faster than expected growth in money supply has been enough of a stimulus to German economic growth and thus to increased imports.

On objective economic data, said Mr Poehl, it was hard to imagine the Bundesbank adopting a policy that would lead to lower rates.

Mr Poehl said the Bundesbank would aim to keep the money stock within a 3 per cent to 5 per cent growth corridor. This compares with the 3.5 per cent to 5.5 per cent set for 1986. Actual growth since the fourth quarter of last year has been nearly 8 per cent.

By setting a wider range around the same middle point of 4.5 per cent, the Bundesbank has given itself more room for manoeuvre between meeting the needs of the domestic economy and adjusting to currency influences.

David Housego assesses the French Premier's first seven months

Chirac trips but does not fall

WHEN a china vase tumbles from a table there is an agonising moment of anticipation: will it escape with a chip on hitting the floor or will it break into pieces? Mr Jacques Chirac, the French Prime Minister, is in a similar state of expectancy.

In his first seven months in power he gave impetus and self confidence to his administration that began to push President Mitterrand into the shade. Then came the student demonstrations and the Government's forced retreat of part of its legislative programme.

Mr Chirac now has the lull of the Christmas holidays to assess the damage—both in terms of his public image and of the troubles it could bring from his coalition partners, the trades unions and his Socialist adversaries. By the New Year, he should be in a position to decide what cabinet changes to make—if any—the shape of new policy initiatives and his long term political strategy leading up to the presidential elections in May 1988.

Jacques Chirac

Francois Mitterrand

Some of the initial soundings are more encouraging than Mr Chirac could have dreamt only a few days ago. The first public opinion poll taken after the crisis suggests that he has not suffered too badly, with 45 per cent of those questioned approving his action.

The damage done by the Government's clumsiness in handling the issue at the outset seems to have been compensated by relief that Mr Chirac decided to withdraw the controversial university bill.

By contrast, both Mr Charles Pasqua, the Minister of the Interior, and Mr Rene Monory, the Minister of Education, suffered badly in the poll—apparently blamed for the police violence and the conflict with students.

Also in Mr Chirac's favour, the French Bourse continues its upward climb irrespective of the Government's political troubles. It is important because of the political credit the Government has invested in its privatisation programme and because the bourse (and privatisation) are attracting a widening band of small savers — and hence electors.

But although there is some comfort in these initial signs, the immediate effect has been to put Mr Chirac on the defensive. He has suddenly begun to look vulnerable in a way that is likely to make his friends more uncertain and his opponents more determined.

Within the government ranks, Mr Chirac can no longer count on the quiescence of his coalition partners, the centrist UDF. The crisis brought to a head the simmering divisions between the Prime Minister and in particular the younger guard in the UDF, led by Mr François Leotard, the Minister of Culture and Mr Alain Madelin, the Industry Minister.

The UDF was already angry at the way Mr Chirac appropriated key appointments in the administration for his own neo-Gaullist RPR party—most recently the chairmanships of the national television channels.

Mr Chirac's diminished strength in dealing with the UDF emerged on Friday when he indicated publicly through the government spokesman that he would keep ministers better informed and consult them more before taking decisions.

At the same time the UDF will be increasingly involved in choosing its candidate for the presidential elections and thus in keeping its distance from the RPR. However tempted some members of the UDF might have been to support Mr Chirac in the first round of a presidential contest, they seem to be fading. The party is increasingly lining up behind Mr Raymond Barre, the former prime minister, whose arguments that "cohabitation" could not work have been strengthened by the crisis.

While support from the centre thus seems more uncertain, Mr Chirac is coming under more strident attack from the National Front on the extreme right. Their arguments that he caved in to street demonstrations touch a nerve with his own supporters.

The students' success in wresting concessions from the Government has equally left it more vulnerable to trades union pressure—at a time when the success of Mr Chirac's economic policies depends on continuing wage restraint. Farmers have already expressed their dissatisfaction at the 6 per cent cut in milk quotas—bringing the threat of demonstrations to what is traditionally a heartland of RPR support.

Electricity, railway and airline workers are all carrying out disruptive strikes this week over pay and conditions in what could be a foretaste of more determined industrial action. But, in the Government's favour, the unions remain uncertain of how far they can mobilise their members.

This list of difficulties has heartened the Socialist party which only a month ago was almost resigned to being out of power for a further seven years—and thus again thrown open the presidential election.

Mr Chirac is a man "who has his qualities," President Mitterrand said in a cutting comment last which which reflected his own confidence of being again on top of events. "But he needs to know how and when to employ them."

In attempting to regain the initiative, Mr Chirac has already begun to put the emphasis on the economy—with the prospect next year of a little more growth and continuing low inflation. Further personal and corporate tax cuts are promised for the 1988 budget. But with the trade account now likely to be in deficit this year and next, and the franc remaining vulnerable in the EMS, the Government cannot afford to provide any further stimulus.

Mr Chirac is clearly tempted by the idea of a cabinet reshuffle to freshen the image of his Government. But the departure of any senior minister could upset the fragile balance within his own party and the coalition.

The withdrawal of the education bill and the postponement of much of the Government's legislative programme—including bills tightening the procedure for immigrants to acquire French nationality and bringing the private sector into prison construction—give it time to reflect on its course of action and woo public opinion.

Its free market philosophy has not been buried by the forced retreat. But free market policies will no longer carry the same electoral appeal and the Government will be far more cautious in implementing them.

Chirac threatens special sitting to overturn veto

By George Graham in Paris

THE GOVERNMENT of Mr Jacques Chirac yesterday threatened to call a special session of parliament on Christmas Eve to rush through the legislation blocked by President François Mitterrand.

Mr Denis Baudoin, the Prime Minister's spokesman, said the decree would be presented as a bill to "the Council of Ministers on Monday, "without changing a comma."

The move marks the latest round in a political poker game between Mr Mitterrand and Mr Chirac, whose government's legislative programme has been severely delayed following its setback at the hands of French students earlier this month.

Mr Mitterrand earlier this week refused to sign a decree putting a new law on flexible working hours into effect.

To call an extraordinary session of parliament, however, the government would have to obtain the agreement of the President.

EMS founders refire the faith

BY QUENTIN PEEL IN THE HAGUE

THE FOUNDING fathers of the European Monetary System, Mr Valery Giscard d'Estaing of France and Mr Helmut Schmidt of West Germany, descended on Brussels yesterday to refuel faith in the future of their ultimate ambition—European monetary union.

They set themselves a target of 18 months to [illegible] the integration of monetary policy in the EEC, [illegible] made a special plea for the British Government to reconsider its refusal to bring sterling fully into the system.

They also called on their successors as heads of government and heads of state in the community to provide the necessary political impetus towards monetary union, by calling a full-scale summit devoted to the issue by mid-1988.

The occasion was the first meeting of the Committee for the Monetary Union of Europe, under the co-chairmanship of the two former EEC leaders, which brought together people from the upper echelons of government, banking and industry.

Mr Jim Callaghan, who was British Prime Minister when the EMS was founded, could not make it back from Tokyo in time. Mr Gaston Thorn, former Luxembourg Prime Minister and president of the European Commission, made it, along with several former finance ministers and central bank governors.

The aim of the committee is to [illegible] progress towards monetary union, described by Mr Giscard d'Estaing as "one of the most powerful forces for political union in Europe."

Mr Schmidt celebrated the achievements of the system: exchange rate stability in the midst of dollar-related turbulence; bringing fiscal and monetary discipline to the participating countries; and developing a fledgling European currency in the Ecu.

He bemoaned the failure of Britain, however, to bring sterling properly into the exchange rate mechanism (it does belong to the basket of currencies on which the Ecu is based) — which meant that Britain had also failed to benefit from "the discipline that emanates from the system."

Mr Giscard d'Estaing said he believed that Britain will not join this side of a general election, a key factor in setting a timetable of 12 to 18 months for any new steps forward in the system.

Two working groups have been set up, one to consider the workings of the private Ecu, and one the official use of the currency unit.

Mr Schmidt said he hoped the next phase of development would include reinforcement of the institutions in the system, such as the invigoration of the European Monetary Co-operation Fund, seen by many as a possible form of European Federal Reserve.

Mr Jacques Delors, the commission president, said he was sometimes accused of being Utopian. "But eminent personalities are surely allowed to dream," he said.

Largest N Sea oil field said to be commercial

By Lucy Kellaway

ONE OF the largest oil and gas fields in the North Sea, Heidrun, was yesterday said to be commercial by Conoco Norway, the operator of the field.

Conoco said yesterday it intends to submit plans to the Norwegian Government towards the end of next year for a development programme which will cost a total of $3bn.

The field, which is estimated to contain 1.25 trillion cubic feet of gas and more than 850m barrels of oil, is one of the most northerly fields and in deeper waters than any North Sea field yet developed.

While the field has yet to be officially declared commercial, Conoco said yesterday that development would probably start in the early 1990s, and that oil production would reach a peak of 200,000 barrels a day.

However, the proposed time could be put back if oil prices do not rise from present levels, Conoco said.

The other partners in the field are Statoil (50 per cent), Arco Norge (10 per cent) and Tenneco Oil (10 per cent).

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Moscow seeks to cut research red tape

BY LESLIE COLITT IN BERLIN

TECHNICAL co-operation agreements signed this week by the Soviet Union and East Germany underscored Moscow's desire to establish direct links between their research and production facilities, to reduce interference from government ministries.

However, the signing of the agreements by ministers from the two countries illustrated the bureaucratic hurdles that still remain to be overcome.

Soviet and East German ministers for the electronics industry signed an accord in East Berlin under which a new generation of small computer systems and software is to be developed. The ceremony took place during a high-level meeting of the two countries' bilateral economic commission, headed by the deputy Prime Ministers, Mr Alexei Antonov of the Soviet Union and Mr Gerhard Schuerer of East Germany.

The Soviet leader, Mr Mikhail Gorbachev, gave several important factories in the Soviet Union greater independence to deal directly with factories in eastern Europe. Recently, the managers of some big Soviet and East German companies met in East Berlin to discuss ways to improve co-operation.

The economic commission meeting this week also discussed implementing a recently-signed agreement between Moscow and East Berlin on direct scientific and production links between companies and organisations.

The links, it said, were to be based on existing "proven relations" between companies and organisations. Both Soviet and East German economists, however, now admit that the previous ties were never effective.

The Soviet Union and East Germany this week also agreed to expand co-operation in the production of industrial glass, agricultural equipment, even soap powder. A communique issued after the commission meeting said they would also develop and produce a household sewing machine on a "world level" with computerised electronics.

Similar projects were common under the former Soviet leader, Mr Leonid Brezhnev, in the 1970s. A high priority Soviet-East German co-operation agreement was launched in the mid-1970s to develop jointly a modern programmable washing-machine.

East Germany had little need of Soviet help in this area, but, after years of research and development, a factory in Saxony jointly developed equipment to produce a washing-machine with a Soviet factory in Moldavia.

Mixed feelings at Europe talks

BY PATRICK BLUM IN VIENNA

THE FIRST session of the reconvened conference on security and co-operation in Europe (CSCE) ends today in Vienna with the main delegations from East and West expressing mixed feelings over what has been achieved so far.

This initial stage of the 35-nation conference which determined the record of compliance by the signatory states of the Helsinki Final Act was expected to be controversial. Western delegations, led by the US, had made it clear from the start of the conference last month that they wanted a detailed review of the human rights performance of east-bloc states which they argued had fallen badly short of the Helsinki act.

The Soviet Union and its allies responded with counter charges and a series of proposals in an effort to lessen the impact of western criticism.

Mr Warren Zimmermann, head of the US delegation, said the initial stage of the conference had been "fruitful," allowing for a steeper examination of the issues in three main areas: security, economic co-operation, and human rights.

Human rights remained the chief area where countries had failed to meet obligations and the US would continue to stress the need for compliance before making new agreements, he said. He singled out the Soviet Union as the worst offender, adding: "Our problems with a number of other eastern European countries are much less serious."

Nevertheless he also criticised Bulgaria for its "serious violation of the Helsinki accord" in trying to create ethnic purity in Bulgaria at the expense of the Turkish minority."

Western delegations called on the Soviet Union to allow Mr Andrei Sakharov, the dissident Soviet scientist in internal exile, to return to Moscow, to free members of the Helsinki monitoring group imprisoned in Soviet jails, to allow more people to leave the country, and to end the jamming of western radio stations.

Western delegates have put a large number of detailed questions covering what they describe as a wide range of "violations" to their Soviet counterparts who have been increasingly angered by the western criticism.

Last week the Soviet delegation, followed by Bulgaria, walked out of the meeting after Mr Zimmermann sought to observe a minute's silence to mark the death that week of Mr Anatoly Marchenko, a dissident who was serving a 10-year sentence for anti-Soviet agitation.

Mr Yuri Kashlev, head of the Soviet delegation, said this week that the first session had "positive and negative" aspects. He accused the US of waging a "propaganda and psychological war" against the Soviet Union and its allies.

New proposals will be discussed from next month after the Christmas recess although several proposals have already been submitted by the Soviet Union and its allies.

These include a proposal to hold a human rights conference in Moscow, a Czechoslovak proposal to hold an economic forum in Prague, a joint Polish-Austrian proposal for a cultural symposium in Cracow, and a joint East bloc proposal for new talks on reducing conventional forces in Europe within the second stage of the Stockholm disarmament conference.

Western officials believe the timing of these proposals was designed to take the sting from the issues raised during the implementation review. They say they are waiting for clarification of the various proposals, although Nato last week already agreed in principle to open new negotiations with the Warsaw Pact countries on conventional forces in Europe.

Mr Zimmermann, however, stressed this week that these should not be conceived as a "follow on" to existing negotiations on Mutual and Balance Force Reduction (MBFR) talks.

Hungarians meet over slow reform

By Leslie Colitt in Berlin

THE HUNGARIAN Government met yesterday to discuss the ailing economy and slow implementation of an economic reform programme launched in 1968 to create market socialism.

Hungary's Prime Minister, Mr Georgy Lazar, was expected to leave for Moscow on a visit the purpose of which was not disclosed. The Hungarian parliament is to meet today to discuss the 1987 budget as well as measures which could be taken to revive the economy and to speed up economic reforms.

Mr Janos Kadar, the Hungarian leader, in a lengthy television interview last Friday, devoted most of his time to international affairs and to listing the achievements of his party since the Hungarian uprising in 1956.

In remarks on the deteriorating economy, he said Hungary could not continue first to distribute goods to the population and then later produce the "material cover for it. It can't go on like that," he said.

Recently the government ordered a three-month wage freeze to begin on January 1.

Mr Kadar also reiterated that the leadership favoured differentiated wages to spur lagging productivity, but he gave no indication of the steps it would take. A central committee meeting is to take place before the end of the year, but any measures it may decide on are expected to be gradual ones.

The political stirrings in Budapest have again led to a spate of rumours of possible changes in the government. Similar rumours on a reshuffle in the Politburo and even resignation of Mr Kadar, circulated late last month, before a heated central committee meeting

Irish coalition faces close vote before recess

BY HUGH CARNEGY IN DUBLIN

IRELAND'S Fine Gael-Labour coalition faces the last of a series of knife-edge votes in parliament today before the Dail (lower house) adjourns for Christmas.

Even if it survives the vote, as seems likely a general election is widely expected in February in which the precarious state of the economy is certain to be the main issue.

Fianna Fail, the main opposition party, is seeking in the division today to force Dr Garret Fitzgerald, the Prime Minister, to dissolve the Dail in January to allow for a February poll.

Although the coalition is now in a numerical minority, it should have enough support from independents to allow it to win the vote and limp on into the new year, if necessary through the casting vote of the speaker.

Dr Fitzgerald had to rely on the Speaker's casting vote several times this week to get a new Extradition Bill through the Dail, but not before he agreed to put its commencement date back to next December at the earliest.

The delay will give more time for Britain to respond to Irish concerns about the treatment of Irish citizens in British and Northern Ireland courts, where most extradition requests come from.

In spite of these narrowest of victories, the coalition will have great difficulty lasting beyond January. Its term of office officially runs until next November.

The crunch issue is the budget, due to be put before the Dail at the end of January. Dr Fitzgerald and Mr Dick Spring, the Labour deputy Prime Minister, have expressed determination to present a budget despite considerable strains between Fine Gael and Labour over the need to cut spending.

Ministers have already proclaimed overall targets of a current budget deficit in 1987 of 7.4 per cent of gross national product (after a deficit this year of at least 8.7 per cent) and an Exchequer borrowing requirement of less than 11.8 per cent of GNP (1986 expected outturn: 13.7 per cent).

To achieve this, Dr Fitzgerald has talked of spending cuts of the order of I£300m. They would entail social welfare cuts which many Labour members would find hard to support, especially as Labour is already committed to fighting the election on a platform of non-participation in another coalition.

Swedish call for research funds

BY SARA WEBB, STOCKHOLM CORRESPONDENT

MR INGVAR Carlsson, the Swedish Prime Minister, yesterday called on the country's commercial banks to contribute funds amounting to SKr 600m (£60m) over the next three years for research and development in Swedish universities.

Mr Carlsson pointed to the fact that the banks have achieved record profits this year and suggested that in view of the Government's tight financial situation, this would be a unique opportunity for them to contribute towards important research in industry.

The funds would help to buy computers and other equipment for research in technology, engineering, medicine and economics. They could also be used to support research exchange visits. The Government has said that it cannot cover the necessary costs for research in its next budget.

The banks said that they would discuss the proposal at the beginning of next year.

OVERSEAS NEWS

MI5 case: Thatcher accused of making false statement to Parliament

Chris Sherwell describes a double battering for the British Government

THE BRITISH Government suffered a dual battering in the MI5 spy memoirs case yesterday when Britain's Prime Minister, Mrs Margaret Thatcher, was freshly accused of making a false statement to Parliament, and the judge hearing the case exploded with anger at another unexplained government manoeuvre in court.

The surprise developments came in the New South Wales Supreme Court, where Mr Justice Philip Powell is hearing final submissions from Mr Malcolm Turnbull, lawyer for the former MI5 officer Peter Wright. The British Government is seeking an injunction to prevent Heinemann Australia publishing Mr Wright's memoirs.

According to Mr Turnbull, Mrs Thatcher made a *materially* false statement to the House of Commons in 1981 because she was misled by a security service anxious to avoid a full-scale inquiry into its activities.

Mr Wright's documentation of these activities, says Mr Turnbull, were the real reason for the British court action.

The judge's outburst, the most serious yet, occurred when Mr Theo Simos, QC, appearing for the UK Government, tendered a brief written submission concerning information already in the public domain and its relation to material in Mr Wright's book.

Mr Turnbull immediately objected, and the judge, plainly enraged, echoed the complaint. Over Mr Simos's denials, he said be was being asked to read 26 books and see two television programmes and then to compare them line by line with material in Mr Wright's book to decide what was new.

The judge called the suggestion "utterly intolerable," evidently because the Government has hitherto accepted that much of Mr Wright's material was already in the public domain, and had never detailed what was not.

When a disgusted Mr Turnbull suggested the judge had "enough material to dismiss these proceedings as an abuse of the court's process," Mr Powell hinted he might well consider whether there had been an abuse of proceedings or a waste of time.

"To say I'm disillusioned is the understatement of the season," the judge declared gloomily. There was nothing from the British side indicating what lay behind the manoeuvre, and e spokesman denied suggestions that it was procrastinating or altering its stand.

Continuing his submission, Mr Turnbull went on to deride most of the reasons offered by the UK Government for wanting to suppress Mr Wright's memoirs. It had nothing to do with technology or molehunts.

"It has to do with Chapter 18 and a former English Prime Minister." This was presumed to be a reference to Mr Harold Wilson, now Lord Wilson, and to controversial allegations that MI5 tried to destabilise his Labour Government in the 1970s and bugged foreign diplomatic premises.

That is the only matter which is still politically sensitive and which, if the authorities allowed it to be published by an insider like Mr Wright, would possibly result in a full inquiry into MI5 that the security service was anxious to avoid," Mr Turnbull said.

Referring to a 1984 television interview given by Mr Wright, he asked: "Why did they not object to Mr Wright rehearsing his case against (former MI5 chief Sir Roger) Hollis? The difference is there's something else in the book, and they're not prepared to own up to it."

This case, he submitted, concerned "a large government department systematically breaking the law and doing so with the approval of the Government itself."

Moreover, he claimed, Mrs Thatcher made a materially false statement to the House of Commons—in 1981 concerning investigations into Sir Roger Hollis and the case of Sir Anthony Blunt, whose unmasking as a Soviet agent was revealed in 1979.

According to Mr Turnbull, no one had contradicted Mr Wright, who holds different views on the significance of these cases. "No one has gainsaid Mr Wright, and no one could. He was in charge of the investigation in both cases."

The relevance of all this for Australia was that it had caused the public to be lulled into a false sense of security. Mr Wright had taken Mrs Thatcher's statement to pieces, line by line and demonstrated it to be false, Mr Turnbull said.

"Mrs Thatcher was misled by MI5. That was part of the programme. That was the final cherry of the calculated exercise that created Their Trade is Treachery, he said, referring to the Chapman Pincher book which first revealed Sir Roger had been investigated as a possible Soviet mole.

"It was a fraud on the public," Mr Turnbull declared. "Whether it was on Australia is a matter of debate. But if the people of Britain are lulled into a sense of false awareness, if they are told lies about security, that security will be diminished and that will affect other countries."

The British Government had "taken the intelligence establishment's view—that if you're in the club you should not talk to anyone outside. Mr Wright says: "I was in the club, and a pretty good member, and I thing the club committee is mucking things up, and people should elect a new one."

This, said Mr Turnbull, was the greatest public interest in the case, given that it could not damage anyone. "The only detriment suffered is that a former intelligence officer is seen talking without authority."

The point was, the security service was not leakproof—it had been allowed to leak by the Government. "It is too late in the day to say, in relation to this information, publication would cause further damage by showing MI5 to be leaky," Mr Turnbull said.

At several points in his submission, Mr Turnbull digressed to make philosophical points to the judge. It was better that Mr Wright wrote and stood by what he wrote, he said, than that people for political purposes got it written in a form where its veracity could not be determined by the public.

When the judge at one stage put up an argument that Mr Wright had been allowed to speak out and had "had his day," Mr Turnbull launched into a rhetorical defence of free speech.

"The problem with Mr Simos's argument," he said, "is that it misconceives the whole nature of free speech. The public interest is not just that this be truthful or fair.

"It is in the debate . . . every person who has ultimately changed the course of history has started off being unpopular. Ideas are tested in debate, not in having a say once and once only."

Mr Turnbull is expected to complete his submission today. Part of this, and of Mr Simos's response, will be held in camera to cover sensitive areas.

S. Africa opposition challenge

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S white opposition Progressive Federal Party (PFP) yesterday announced its decision to challenge the latest South African emergency restrictions through the courts "at the earliest opportunity."

The move came as the Weekly Mail, one of three publications served with a police ban on publishing statements by 13 anti-apartheid organisations earlier this week, brought an urgent application in the Rand Supreme Court asking that the restriction order be set aside.

Last night, the court rejected the urgency of the application.

The order, which theoretically only applies to the area under the authority of Witwatersrand Divisional Police Commander Maj Gen Mulder van Wyk, effectively prohibits general publication of advertisements and statements in support of four linked township campaigns. These call on township residents to switch off lights, support the families of emergency detainees and participate in a "dignified Christmas against the emergency."

The latest court action took place as lawyers, politicians and the local media continued to attack the restrictions.

Mr Barry Jammy, vice-president of Lawyers for Civil Rights, warned yesterday that the regulations had eroded another basic freedom by preventing publication of court proceeding relating to the arrest, circumstances for treatment of emergency detainees until final judgment was given.

● The death toll has risen to 11 in faction fights at the President Steyn mine, owned by Anglo American, in the Orange Free State, AP reports from Johannesburg. The company said the three latest killings occurred on Wednesday in clashes between members of the Xhosa and Sotho tribes. One miner was killed on Sunday and seven on Monday. A total of 70 have been injured, the company said.

Meanwhile, Gen Johan Coetzee, Commissioner of Police, yesterday stepped up the Government's propaganda campaign against the African National Congress (ANC) by publishing the names of 20 black youths allegedly executed in ANC camps for "subversion."

The Government has sought to justify its latest emergency regulations against the press and opposition groups by what it calls "an organised revolutionary onslaught by the ANC."

Gen Coetzee said that police had decided to release the names, based on information gathered by the security branch and from "ex-terrorists," in the hope that others "who are about to be misled will see the real picture; will denounce the ANC and pick a peaceful road in South Africa."

Critics of the latest emergency have warned that by imposing still tighter restrictions on both parliamentary and extra-parliamentary opponents of apartheid, the Government risks driving opposition underground and into increasingly violent channels.

Report assesses effects of sanctions

BY MICHAEL HOLMAN IN LONDON

SOUTH AFRICA "can no longer hope that economic expansion in the context of apartheid will resolve its difficulties," says a briefing paper published by the Overseas Development Institute* (ODI) on sanctions and the South African economy.

The paper, which assesses the impact of sanctions already imposed, concludes that even without further measures, "low international and domestic confidence are set to interact, reducing rates of economic growth and increasing levels of unemployment."

Effective sanctions, the paper concludes, "will contribute to this process by increasing domestic costs and restricting access to much-needed foreign exchange and, more fundamentally, deepening pessimism about the country's medium-term prospects."

The Institute, which says that South Africa is particularly vulnerable to restrictions on access to foreign finance and to actions which cause a fall in the price of gold, is an independent research organisation supported by grants and donations from the UK Government and private sources in Britain and overseas.

The paper notes that South Africa's planners have calculated that growth rates of between 4.5 and 5 per cent are needed to create sufficient jobs for a population expanding at more than 2.7 per cent a year.

Economic growth at that rate, says the paper, requires increased participation in the world economy.

The merit of increased sanctions, the paper argues, "would be to remind South Africa of what it knows already: that it has no medium-term option other than to negotiate internal political reform, an essential prerequisite for achieving high and sustainable economic grow.

**Sanctions and the South African Economy, Overseas Development Institute, Regent's College, Inner Circle, Regent's Park, London NW1.*

Where Japanese minister feels the pinch

BY IAN RODGER IN TOKYO

JAPAN'S ECONOMIC power is limited to balance sheets and ledgers, a leading Japanese Government minister complained yesterday.

"I have a very small house in which the five members of my family are very crowded," Mr Tetso Kondo, Minister of State and Director of the Government's Economic Planning Agency, said.

"People tell us Japan is now a major economic power and must provide more assistance to the developing countries. But I do not feel that well off," he told a businessmen's group.

"For us to begin to feel that way, we must try to convert our economic power into concrete improvement in the daily lives of our people, instead of exporting money overseas."

He regretted that Japan had so far only felt the negative impact of the sharp increase in the yen, an impact he estimated at Y7,000bn (£21bn) the positive impact was something larger at an estimated Y10,000bn, but it was all "hanging around" idly.

Most important for the Japanese economy was to find ways to use these funds. The Government was undertaking a number of programmes aimed at stimulating domestic demand, including deregulating financial markets.

The Government is in the middle of formulating its economic forecast for the next fiscal year to March 31, 1988. Mr Kondo indicated the domestic economy would probably grow nearly as well as the estimated 4.2 per cent rate likely to be achieved this year, but the fall in the external balance would again depress overall growth.

Nora Boustany reports from Beirut on Lebanon's unending wars

Arafat plays a shrewd waiting game

AS THE Iran-US arms controversy continues to shock the world, Lebanon's unending wars have taken on a new twist. Palestine Liberation Organisation chief Yassir Arafat appears to have outdone Syria by striking against its local allies in a shrewd waiting game.

Lebanese President Amin Gemayel, having allowed Mr Arafat to arm his guerrillas undisturbed, has benefited by the defeat of the Shi'ite Amal militia, Syria's closest ally in Lebanon, in a battle for the strategic Christian village of Maghdousheh last month. Well-trained Palestinian fighters, pushing out of their refugee camps for the first time since 1982, have recast Mr Arafat as a major player on the Lebanese scene.

After being shunned by Syria for contributing to the collapse of a Syrian-sponsored militia accord one year ago, Lebanon's Christian President is now looking forward to a summit meeting with his Syrian counterpart. Perhaps for the first time since the outbreak of the Lebanese war, Mr Gemayel and the Christian militias watched as Palestinian guerrillas returned to Lebanon with tha declared aim of protecting their civilian population and loosening the grip of Amal and the elusive hegemony of Syria.

"In a way, Arafat has some sympathy now, not because they love him, but because they hate Amal and fear the Syrians," observed a Palesinian official.

It is an uncharacteristic change of heart for Lebanon's *Christian leadership. Officially*, the staple condemnations of a resurgence of a Palestinian state within the Lebanese state are uttered here and there, but "all of a suddn, there is an expression of sympathy for the Palestinians, laced with a desire to see Nebih Berri smashed," commented a Western diplomat . . . Christian-controlled East Beirut.

The grisly conduct of Mr Berri's Amal militia since the first round of Palestinian-Shi'ite fighting in 1985 has enraged guerrilla leaders, banished to other Arab capitals in 1982.

"We are not seeking to go back to pre-1982," maintained one Palestinian spokesman. "We just want to make sure our people inside the camps in Lebanon are adequately protected, and for that we need to be armed. Our primary and only guarantee is our own strength.

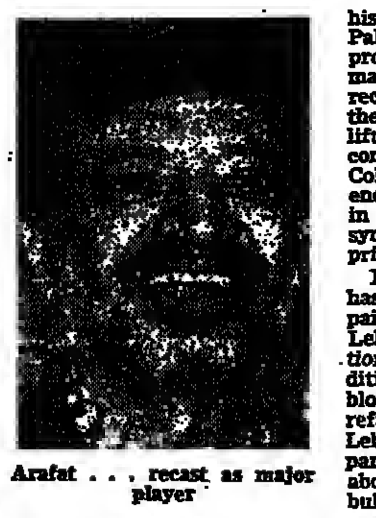
A deteriorating economy and slipping exchange rate for tha Lebanese pound, down by 300 per cent against the dollar, has eased the penetration of Palestinians in the ungoverned jungle of Lebanon. Since it has happened in mainly Moslem areas, far removed from the Christian enclave, the armed Palestinian presence is rather an idea than a physical threat. In Moslem areas, where poverty and the reality of war are more difficult to conceal, the anxiety over the festering Shi'ite-Palestinian conflict is more overwhelming.

The emergence of Iran as a central mediator, though yet ineffective, has marginalised Syria's role as power broker and accentuated the rise of Tehran-backed fundamentalists. Palestinian leaders privately insist that the pro-Iranian Hizbullah will never get the upper hand in areas where the guerrillas are located, because: "They don't understand the intricacies of Lebanese politics as well, and because they are not as strong militarily."

For now, the interposition of Hizbullah fighters in Maghdousheh between Amal and Fatah members clinging to their trenches, has served to discredit Amal in the eyes of the Shi'ite community.

Hizbullah, unlike Amal, does not expect the Palestinians in South Lebanon to disarm. Amal's drive to control the camps originated with its resolve to ban guerrilla activity in regions already evacuated by Israel.

The 11-week siege of the Palestinian refugee camp of Rashidiyeh, the bombardment of Chatila and Bourj Barajneh in Beirut's southern suburbs, and the heavy-handed treatment of Palestinian civilians living outside the camps has united Palestinians in the face of Syria's closes allies, tha unruly Amal militiamen.



Arafat . . . recast as major player

The Syrian-formed National Palestinian Salvation Front is now fragmented and groups such as the Popular Front of the Liberation of Palestine (PFLP) have veered closer to Mr Arafat. The decision to take over Maghdousheh according to one Palestinian source was taken by PFLP chief George Habash and Mr Arafat's military commander of Fatah, Khalil al Wazir, better known as Abu Jihad, during a meeting in Prague recently.

Palestinian officials said Moscow was behind Mr Arafat and supported Palestinian demands for keeping the defenceless camps armed. Though the Soviets are opposed to an extension of guerrilla presence beyond the camps, Mr Arafat appears to have ignored their wishes in that respect.

The PFLP, the Democratic Front for the Liberation of Palestine (DFLP), and Mr Arafat's Fatah, have resurfaced as the basic components of the Palestine Liberation Organisation, after four years of fragmentation.

Mr Arafat has become the hardliner and the rejectionist. When other groups agreed to pull out of Maghdousheh as part of an Iranian peace plan, his men refused to budge. Other Palestinian factions such as the pro-Syrian PFLP-general command, have also threatened to reconsider their alignments if the siege of Rashidiyeh was not lifted and Palestinian civilians continued to suffer. Libya's Colonel Muammar Gaddafi encouraged Arafatists to stay on in Maghdousheh, now the symbol of recovered Palestinian pride in Lebanon.

In Baghdad, where Mr Arafat has been orchestrating his campaign to re-enter the intricate Lebanese and Middle East equation, Abu Jihad declared a conditional ceasefire provided the blockade was lifted from all refugee camps in Lebanon, and Lebanese factions that had not participated in the fighting above Sidon joined the Hizbullah as a buffer force.

Walid Jumblatt, Druze leader of the Progressive Socialist Party, one of the groups asked to take part in this new plan, is in an unenviable position. While he has wisely courted the Syrians, who are believed to have assassinated his father Kamal Jumblatt in 1977, he is also greatly indebted to the Palestinians. Guerrillas helped Jumblatt in the decisive 1983 mountain war against Christian militias and the Christian-led army of Mr Gemayel. Mr Jumblatt explains his predicament by saying more Palestinians died defending the now Druze-controlled Chouf Mountains than his own Druze warriors.

"Theoretically, we should all be defending Amal, as Lebanese who still hope for some semblance of sovereignty over our own land," commented one Lebanese businessman. However, Amal's mismanagement and unreigned lawlessness in areas it should control have made any alternative more palatable.

"We may wake up one day to discover that Arafat has not changed anything, except the dimension of the tragedy for Lebanese and Palestinians alike. While it looks like Arafat has indirectly helped Gemayel, it is Arafat who may have to be rescued in the end," a Lebanese analyst said.

More Chinese demonstrations for democracy

By Robert Thomson in Peking

CHINESE STUDENTS have continued their protests for more democracy with street marches in the past two days in the southern city of Kunming, while the Chinese press has given conflicting signals about the Government's attitude to democracy.

While the Government obviously hoped that the protests would subside without it having to take tough action, students in normally placid universities appear to have been inspired by the unusual campus campaign.

Several thousand students are said to have protested in Kunming yesterday and the day before with the democracy theme that has been a constant in the activities of the past week. The Kunming marches come on the eve of limited elections for the local People's Congress, which is similar to a city council.

The protests also come in the midst of a campaign by the Government to prepare the country for a form of political reform that has not yet been identified.

The Communist Party-guided People's Daily took a liberal line on democracy earlier this week by suggesting that "for a long time we have considered freedom and democracy as slogans belonging to the bourgeois class, and this has been inappropriate."

But the paper was more guarded yesterday and warned the democracy should not be copied from foreign models and should be introduced in the long term.

While the party officially believes that modernisation is impossible without more democracy, it does not support the Western-style concepts pushed by the students.

India and Pakistan in bid to stop drug traffic

BY JOHN ELLIOTT IN NEW DELHI

ABOUT 90 per cent of 2,568 kg of heroin seized in India by narcotics agents in the first eight months of this year crossed into the country from Pakistan, mostly through the tense Indian state of Punjab, according to Indian Foreign Ministry officials.

Talks are to take place between the two countries in Pakistan this weekend in an attempt to try to stop this trafficking and to find ways of dealing with India's allegations that Sikh extremists are trained in Pakistan.

Indian diplomats complain that Pakistan has not yet responded to offers of exchange of information from India.

Drug smuggling and addiction has become an increasingly serious problem in Pakistan in the past few years. This week's riots in Karachi, when over 175 people were killed, started partly as a protest against drug raids.

The port of Karachi is a key exit point for narcotics from the production triangle of Iran, Afghanistan and Pakistan, but an alternative route has opened up through India to the ports of Bombay and Calcutta.

Seizures of heroin in India have gone up from 24 kg in 1982 to 500 kg last year and 2,568 kg to the end of September this year, according to Indian government figures.

Pakistan rushed troops to at least three trouble spots in and near Karachi yesterday as police arrested some 500 people following more than 170 deaths in ethnic riots since Sunday, witnesses said, Reuter reports.

Police said troops arrived at the Jetlines and Jacob Lines suburbs of Karachi and at Bilal Colony about 15 miles from the city after clashes and cases of arson and looting.

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WORLD TRADE NEWS

Rush of orders ensures early launch of MD-11

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

McDONNELL DOUGLAS, the US aerospace manufacturer, is expected to launch its MD-11 tri-jet airliner before the end of this year.

This follows a further $2bn in orders this week for MD-11s. Scandinavian Airlines System has ordered 12 aircraft, and Swissair has asked for "reserved delivery positions" for six.

Together with orders already announced from British Caledonian, for nine aircraft worth about $1bn, and Mitsui of Japan for five aircraft worth about $500m, total commitments made during December total 32 aircraft worth over $3.5bn.

This is well above the total of about 20 aircraft from three airlines that McDonnell Douglas wanted before launching the jet.

More orders are in the pipeline. McDonnell Douglas has been discussing potential deals with a large number of airlines over recent months, including some which already are extensive users of its DC-10 tri-jet.

Among airlines believed to be close to decisions are Finnair in Europe, and American Airlines and Federal Express in the US. Alitalia is strongly interested, although there is strong competition with Boeing's advanced version of the 767 twin-engined jet airliner.

McDonnell Douglas is unofficially expected to collect orders for at least 50 MD-11s by next spring, which is about when its rival, Airbus Industrie of Western Europe, is expected to make a formal commitment to launch its rival aircraft, the A-340 four-engined long-range version of the Airbus.

Airbus plans to develop the A-340 in conjunction with a new short-to-medium-range, high density aircraft, the A-330, using common wings, basic fuselage and common systems.

Before it can do so, it needs financial commitments from the Governments of its partners, including launch aid of £750m from Britain to enable British Aerospace to develop the wings for the two aircraft.

So far, the UK Department of Trade and Industry has given no indications of its views, but the matter is likely to be discussed by the Cabinet early in the New Year.

Airbus is not dismayed by the sudden inflow of orders for the MD-11. It argues that it has always built a strong measure of competition from the MD-11 into its sales calculations.

Nevertheless, the speed with which the MD-11 is picking up orders in Europe which Airbus had hoped to win must cause some concern.

John Elliott on Bangladesh's attempt to reconcile commercial interests with those of the nation's poor

Dhaka in eye of storm over pharmaceutical policies

FOUR YEARS after a pace-making drug policy aimed at boosting domestic production of cheap essential medicines was introduced in Bangladesh, controversy is still raging about whether it has helped the mass of the country's poverty-stricken population of 103m.

Drug production is a controversial and often politically sensitive subject in all parts of the world, but in developing countries such as Bangladesh the interests of multinational manufacturers and the rural poor contrast sharply.

In 1982, encouraged by international agencies such as the World Health Organisation (WHO) and smaller groups of international health activists, Bangladesh was persuaded to become the first developing country to introduce strict controls on which pharmaceutical products could be manufactured and by whom. This included a ban on multinationals making certain products.

"The discrepancy between need and availability of drugs in our country was too great. With our national drug policy we have paved the way to bridge this gap within our limited resources," says President Mohammad Hussain Ershad, who was military ruler of Bangladesh when the decision was made.

The multinationals argue that the policy has not been effective and accuse the president and his fellow generals of falling prey to politically motivated activists in the international agencies. "In the global battle between the activists and transitional corporations, Bangladesh is a pilot project," says one senior drug company executive. "The activists' objectives are global in nature and primarily oriented towards curbing transnational corporations rather than promoting suitable health care systems."

The multinationals have lost market share and growth, but they have adapted commercially, partly through diversifications. So their continuing attacks probably stem from the fear that international health organisations will try to introduce the policy elsewhere in more lucrative markets than Bangladesh. Its population spends an average of only $1 to $1.25 per person a year on medicines, one of the lowest figures in the world, compared with $2.5 in Sri Lanka, $5 in Thailand, and a WHO target of $5.

Experts compare what has happened in Bangladesh with similar policies in the developed countries of Norway, Sweden and Denmark, but say that among developing countries only Zimbabwe and Mozambique which have taken similar steps, but on a narrower front.

The aims from the Bangladesh Government's point of view were to increase the availability of essential drugs at cheaper prices by concentrating the country's limited industrial resources on essential drugs, protecting uneducated people from being persuaded to buy non-essential and possibly dangerous drugs, building up local industry and attacking multinationals' pricing techniques.

The Government now claims that substantial progress has been made on these targets and rejects accusations that standards have fallen, although there are undisputed and serious quality control problems in many smaller factories because of a shortage of government facilities for testing products.

The industry in Bangladesh is mostly involved in assembling and packaging imported basic and semi-basic materials and is made up of eight multinationals plus 160 local companies, most of which are small operations with poor quality control. The multinationals are Fisons, Glaxo, Hoechst, May and Baker, Organon, Pfizer and Squibb. They were originally set up as branch factories by companies based in Karachi, the commercial centre of Pakistan, before Bangladesh became independent in 1971. They now work in a relatively tiny market of only about $112m a year.

In 1981, before the policy was introduced, there were 4,340 registered pharmaceutical products in the country, including 2,600 local brands and 1,740 foreign.

The Government estimates that in 1981 one-third of expenditure on medicines and up to half local production went to "unnecessary and useless medicines" which the official drug policy document describes as: "Vitamin mixtures, tonics, alkalizers, cough mixtures, digestive enzymes, palliatives, gripe water, and hundreds of other similar products."

The policy suspended and progressively cancelled 1,666 of these products by June 1984. It identified 150 essential drugs "for most therapeutic purposes" of which 45 were picked for primary health care. The 45 now account for 65 per cent of total local production compared with 30 per cent of a much smaller total in 1981, which the Government considers a considerable success.

A supplementary list has also been allowed of 77 more specialised and mostly imported drugs on the basis of "usefulness and essentiality."

The multinationals were banned from producing simple products such as antacids and oral vitamin preparations and are not allowed to import or locally produce drugs already available in the country. Their share of the local production has dropped from 65 to 48 per cent while the share of local companies is growing at 15 per cent a year.

Multinational and the locally owned companies have to buy their materials from the cheapest international sources instead of the traditional sources of the traditional sources of their parent companies or technical collaborators. This move has successfully curbed transfer pricing and is estimated by some experts to have cut import prices by 30 to 60 per cent.

But companies claim that the standards of materials has materials elsewhere which it says are not up to the guaranteed standards of the Doxy- declined because they often have to buy from sources such as China, India and Eastern Europe.

Pfizer, for example, has had to stop using its own materials for its Doxycyclene antibiotic. So it has renamed its product Doxycap because it is buying cyclene ingredients. Hoescht went further and stopped making its Daonil diabetic control drug without introducing a replacement. The gap in the market has been partly filled by Square Pharmaceuticals, one of five respected local manufacturers, using cheaper foreign materials.

Many of the companies claim such changes mean a drop in standards. Dr Hamayan Hye, director of the Ministry of Health's drug administration, denies this and is proud of the results, both medically and economically. "I am concerned only about the British and US pharmacopiae standards for drugs, not what multinationals like Pfizer or Hoescht might want to sell at higher prices which might raise standards but does not increase efficacy."

Dr Hye says that some materials are being imported at as little as 10 per cent of multinationals' old prices. He insists that prices overall have only risen by 15 to 20 per cent since 1982 and that there has been a downward trend on the 45 basic health care drugs, despite a 10 per cent tax surcharge introduced on medicines and the value of the takka moving in 1981-85 from 20 to 31 against the dollar.

This is denied by the multinationals, which say prices have risen 25 per cent.

But these achievements have to be set against other more debatable results. There is widespread concern that banning products such as cough syrup merely induces busy and often underqualified paramedics and quack doctors to prescribe more potent and unsuitable drugs such as antibiotics — while those who can afford them buy smuggled versions of the banned products. In response to this particular criticism, a single ingredient cough syrup has been reintroduced.

There are also wide divergences of opinion about whether drugs have been made significantly more available to the rural poor.

But what certainly appears to have been achieved, irrespective of the political or other motives of health activists, is a successful concentration of Bangladesh's scarce production facilities on essential drugs and some curbing of transfer pricing which other developing countries find very hard to tackle.

Japanese trucks win record share in Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPAN won a record 16.3 per cent of Western Europe's commercial vehicle market in the first nine months of this year, an increase of 1.4 percentage points from its share at the end of 1985.

Renault of France, however, regained its leadership following the introduction of a light van based on the new R5 car. Renault's share, which dropped from 17.5 per cent in 1982 to 14.1 per cent last year, had recovered to 16.4 per cent by the end of September.

According to industry estimates, the European commercial vehicle market in the first nine months of this year improved in volume by 109,700 units

Most of the other European producers have lost ground. The Peugeot group's share was down to 12.2 per cent (from 13 per cent), Ford's slipped to 9.5 per cent (9.9 per cent), Fiat's was 8.7 per cent (10 per cent) but Volkswagen's remained at 8.7 per cent.

The Japanese made their biggest volume gains in the UK where their penetration of the commercial vehicle sector rose by 2.1 percentage points to a record 13.1 per cent despite the gentlemen's agreement which limits shipments of cars and light commercials from Japan to Britain.

Officials fight to meet deadline on Gatt

BY WILLIAM DULLFORCE IN GENEVA

WITH ONE day left before the deadline for publication of the programme for the much heralded new round of trade liberalising talks, trade officials were still struggling yesterday to clear the log-jam of unresolved issues.

Negotiators from the biggest 20 to 30 trading nations were set to bargain until late in the night at Gatt headquarters in an effort to meet the deadline set by trade ministers in September.

Differences between the European Community and other major farm trading countries, including the US, over the objectives and timetable for the agricultural talks formed the major obstacle.

Other unresolved matters concerned the timetable for the initial phase of the scheduled four-year Uruguay Round, the organising into groups of the subjects to be negotiated and a plan for handling trade in services.

After a morning session yesterday compromises appeared to be in sight on the question of how to deal with trade in textiles and clothing, which divides the US and India, and on the mechanism to be put in place to monitor countries' compliance with their commitment to introduce no new trade measures inconsistent with Gatt during the Uruguay Round.

India's demand for a separate negotiating group on textiles, opposed by the US, is likely to be met formally but textiles would be part of a "work area" including other subjects and would be treated with urgency.

Disputes now centre mainly on procedural matters, but few of the 92 Gatt countries are willing to make concessions on procedure until they see the shape of the whole negotiating package and can be sure that their primary interests have been safeguarded.

The EEC would abandon several positions it has taken over procedural issues if it could obtain a programme for farm trade negotiations that did not tie it down to a speedy elimination of subsidies.

The US affirms that it will accept no programme that does not satisfy its long-standing demand for talks to bring trade in services within Gatt's scope.

The group on negotiations on services is scheduled to meet this morning following its failure to agree on a plan for services on Wednesday. Other countries can be expected to meet US wishes on services, provided their interests in the negotiations on goods have been satisfied during yesterday's late night session.

A meeting of the Trade Negotiations Committee, the overall supervisory organ for the Uruguay Round, has been called for this afternoon in the hope that it can announce a detailed negotiating programme.

EEC inquiry ordered into microwave ovens

BY QUENTIN PEEL IN BRUSSELS

OFFICIALS OF the European Commission have ordered an anti-dumping inquiry into EEC imports of microwave ovens from Japan, Singapore and South Korea, after sales grew by almost four times in the last four years.

European producers have complained that manufacturers from all three countries were exporting at prices significantly below those on their domestic markets.

The complaint, lodged by the European organisation of manufacturers of household electrical appliances, says that the prices of imported microwave ovens are between 10 and 32 per cent below those of rival EEC products. Import prices were cut by as much as 19 per cent in several member states between October 1985 and May 1986.

The European manufacturers claim that imports of the ovens rose from 581,000 in 1983 to 1.8m in 1985. Sales this year are likely to reach 2.15m of which the three Asian countries are expected to account for more than two-thirds.

They maintain that EEC companies have invested heavily to cope with demand for microwaves, but have been unable to gain the sales they would have expected in conditions of fair competition. They have, they say, been left with excess capacity

AMERICAN NEWS

Senate recalls Regan over Iran arms testimony

BY LIONEL BARBER IN WASHINGTON

THE SENATE intelligence committee probing the Iran arms scandal yesterday recalled Mr Donald Regan, the White House Chief of Staff, to resolve discrepancies in sworn testimony about President Reagan's role in the affair.

The committee also recalled Mr Robert McFarlane, the former National Security Adviser, who told the committee last week that Mr Regan gave advance approval of a shipment of US arms via Israel to Iran in August 1985. Mr Regan has said that the President approved the shipment after it took place.

The conflict in evidence is important because any shipments by Israel to Iran without prior approval by the President would be illegal under the Arms Export Control Act.

In a second, potentially embarrassing development in the scandal, it was disclosed that the Federal Bureau of Investigation has launched an inquiry into why it was told by the Justice Department to delay an investigation into a Miami-based airline linked to the covert arms sales operation and to the Contra rebels in Nicaragua.

The FBI was told that its investigation might harm secret efforts to free American hostages in Lebanon, and its director, Mr William Webster, has a memo to this effect.

But at that time, the airline — Southern Air Transport — was only linked to the Contra supply operation. This raises questions about whether Mr Edwin Meese, the US Attorney-General, who gave the order, knew about the Iran-Contra link earlier than he has claimed.

Mr Meese testified for almost five hours on Wednesday before the Senate intelligence committee. He stuck vigorously to his previous assertions that only two men—Lt-Col Oliver North and Vice-Admiral John Poindexter—knew of the diversion of profits from the arms sales to Iran to anti-Sandinista forces in Central America.

But several congressional officials pointed out yesterday that the Administration had yet to produce conclusive evidence that up to $30m did in fact go to the Contras.

The frustration within the White House over its failure to contain the affair surfaced yesterday in published remarks by Mrs Nancy Reagan. The President's wife is widely reported to be furious at the ineffectual role of certain key advisers, including Mr Regan.

She said in her first interview since the crisis broke: "He's disappointed at not having been told the truth, and that's upsetting to him. He wishes the two men (North and Poindexter) would come forward and talk. Those are the only two men who know anything, really know what happened."

US reacts coolly over release of Hasenfus

BY OUR FOREIGN STAFF

THE US Administration yesterday reacted coolly to the release by the Nicaraguan Government of Mr Eugene Hasenfus, the American captured in Nicaragua and condemned last month to 30 years' imprisonment for gun-running to the Contra rebels.

Mr Hasenfus was released on Wednesday night to US Senator Christopher Dodd in Managua and flew to Guatemala en route for Miami. He was handed over by Nicaraguan President Daniel Ortega, who said: "This is a Christmas message and a New Year message to the American people on the part of the Nicaraguan people. We trust and hope this gesture of peace . . . will contribute to achieve peace."

However, a White House spokesman said the Sandinista Government's move fell short of what the Reagan Administration believes necessary for improved relations between Managua and Washington.

"If the Sandinistas truly want to make a gesture, it should be toward those in Nicaragua who oppose their oppressive policies," the spokesman said.

Bogota acts on drugs in wake of murder

By Our Foreign Staff

THE Colombian Government yesterday approved tougher anti-drug legislation in the wake of the assassination of Mr Guillermo Cano, editor of the liberal daily El Espectador.

Mr Cano, one of the most respected journalists in Colombia, was killed in Bogota on Wednesday by two unidentified gunmen on a motorbike. His newspaper had been running articles denouncing the activities of Colombia's drug barons centred in the city of Medellin.

The new legislation, announced after an emergency session of President Virgilio Barco's cabinet, consists of two decrees issued under state of seige regulations. Sweeping new powers have been given under one of the decrees to the security forces to raid and destroy clandestine drug laboratories. The other decree restricts the import and use of firearms.

Although no one has yet claimed responsibility for the murder, officials have little doubt that drug traffickers were behind the killing. President Barco said in a brief emotional statement: "It is evident that organised crime, drug trafficking, which operates without law, without morals, without God, shrinks from nothing."

Mr Cano, 61, received eight bullet wounds when the gunmen fired on his car as he was leaving the El Espectador plant. He had always shunned bodyguards.

His assassination bore similarities to the killing of Mr Rodrigo Lara Bonilla, the Justice Minister in the previous government. Mr Lara Bonilla was killed in 1984 in Bogota after he had initiated an anti-drug crusade.

Colombia is the largest illegal producer of cocaine and for the past three years the Government has intensified with US aid pressure on the drug trade.

Colombia's main news media announced they would hold a one day silent protest today by not publishing or broadcasting for 24 hours. More than 20 journalists have been murdered in Colombia in the past 10 years.

US policy in Central America condemned

By Our Foreign Staff

THE four-nation Contadora Group, backed by the major countries of Latin America, has issued an unprecedentedly blunt condemnation of US policy in Central America. The statement criticises the Reagan Administration saying: "Financially supporting a group to sustain a war prevents peace in the region."

The Contadora Group, consisting of Colombia, Mexico, Panama and Venezuela, has been vainly attempting to promote a Central American peace treaty for almost three years. The Contadora support group—Argentina, Brazil, Peru and Uruguay—was formed last year to give more muscle to the initiative and has previously been quietly critical of the US backing for the anti-Sandinista rebels

David Owen reports from Chicago on the lingering decline of a political fiefdom

Rearguard action of the Daley stalwarts

CHICAGO writer Mr Studs Terkel describes a recent encounter under Marble Arch with "an English Midlander bearing a remarkable resemblance to actor Nigel Bruce." The Midlander, it turns out, is an ardent admirer of Mayor Richard Daley, whose reserves of gumption, he feels, are unmatched by anyone but Mrs Margaret Thatcher.

Until disabused of this misapprehension "hizzoner's" English fan club was blissfully unaware that, as Mr Terkel points out, "Richard J. Daley died several years ago."

Ten years ago, to be precise, on December 20, 1976. In his doctor's offices on Michigan Avenue, of a massive heart attack. Functions to the last, the 74-year-old strongman, who ruled Chicago from the engine room of the city's then all-powerful Democratic Machine for nearly 22 years, had just completed his civic duties for the day.

His last engagement involved shooting a few baskets at a field house opening ceremony in one of the city's south side parks.

Today, from the scores of downtown skyscrapers to the parks and manmade beaches which form the city's Lake Michigan shoreline, the physical legacy of the Daley years is still strikingly apparent. But the power of the Machine, wracked by in-fighting and lacking a successor of Daley's calibre, has dwindled markedly.

In its heyday, so-called Machine politics worked by harnessing far-reaching patronage to bestow favour in return for support in the polling booths. It relied heavily on the legwork of disciplined minions in the electoral wars to mobilise and "deliver" the votes.

But towards the end of the Daley era, the cracks were beginning to show. The Shakman suit against patronage effectively deprived the bosses of many of their hiring and firing powers, while the long-loyal black community finally began to fight (and vote) against years of being cynically shortchanged.

But it is since the "Irish Buddha's" death that the decline has really set in. The ever more desperate manoeuvres of the remaining Machine politicians as they cling onto vestiges of their former power, have grown increasingly to resemble the death throes of a headless chicken.

Mayor Daley: legacy under threat

Daley's successor, the uncharismatic Mr Michael Bilandic, was the first electoral victim of the Machine's inexorable fall from grace. Ironically, his defeat in a democratic primary by Machine-schooled but independent-minded Ms Jane Byrne, was blamed less on the talents of his opponents than the city's culpable failure to cope with a phenomenal fall of snow during the harsh 1978-1979 winter.

One local commentator remembers the turnout for Ms Byrne as "a huge emotional uprising directly linked to the snow."

From the moment Mr Harold Washington, the present mayoral incumbent, in turn surprisingly ousted Ms Byrne in the 1983 Democratic primary, the Machine stalwarts, headed by Cook County Democratic Party chairman, Mr Edward Vrdolyak, have been fighting a rearguard action. Mr Washington went on to edge Republican Mr Bernard Epton, in the election proper, to become the city's first and America's 224th black mayor.

An implacable opponent of the Machine and the patronage system (despite his own apprenticeship in the daily cohorts), Mr Washington was nonetheless effectively prevented from making the promised sweeping changes for three years by Mr Vrdolyak's city council majority.

In a bitter feud dubbed "council wars" by local observers, "fast Eddie" stalled scores of key Washington initiatives while chronic regional problems like the city's shrinking industrial base and deteriorating finances were left to fester behind the scenes.

The breakthrough for Mr Washington—and a severe setback for the Machine—came in April this year when Washington-sponsored candidates secured enough victories in aldermanic elections to give the mayor a casting vote in a now evenly split city council.

With time at a premium before the expiration of his term in April 1987, Mr Washington promptly took advantage of his unaccustomed freedom to push through a series of tax hikes in a bid to narrow the city's budget deficit. He also moved to take control of both the Park District and the Transit Authority—the two most notorious remaining enclaves of the patronage system.

With its traditional fiefdom crumbling about its ears, the April election is viewed by many as the Machine's last stand. But, in what is shaping into a remarkably open contest, the plethora of declared candidates — six to date, two of them Republicans — is ultimately likely to work in Mr Washington's favour.

With his guaranteed plurality among black voters in this still highly segregated city, the current mayor would certainly benefit, as he did in 1983, from any split in the white vote.

While nothing is certain in Chicago politics, if Mr Washington is returned with a council majority for a second term, he will not hesitate to complete the demolition job he started in April. A decade after the death of the man who fine-tuned it to peak performance, the battered Chicago Democratic Machine could be just one step away from obsolescence.

Forecasts ease Brazilian economic jitters

BY IVO DAWNAY IN RIO DE JANEIRO

A MONTH of jitters in Brazil over economic trends gave way yesterday to renewed confidence following optimistic Government predictions for 1987 and a positive response from industry to upward price adjustments.

With poor unpublished inflation and trade figures already discounted, the stockmarket rallied strongly with a 10 per cent rise on Sao Paulo's key Bovespa index on Wednesday—the largest one-day gain since the anti-inflationary Cruzado Plan was introduced in February.

Part of the rise was attributed to a sharp downturn in interest rates on 60 day certificates of bank deposits, which opened yesterday at an annualised 173 per cent, down from a low of over 220 per cent earlier this month.

There was also satisfaction at reports of improvement in the country's foreign exchange position, with inflows of dollars to exceed remittances by more than 50 per cent in the first two weeks of December.

The continued policy of mini-devaluations, now quoting the dollar at 14.97 cruzados—a 3.93 per cent fall since November 21—has been welcomed. However, some businessmen fear a bigger reduction could be imminent.

But what may most please the business community is the signal from the Government this week that a major revision of the much-criticised price freeze is under way. A trickle of price rises—most recently a long sought 20 per cent increase in medicines—has already begun, and this is expected to accelerate.

There are also signs that the trade union confederations are ready to enter talks with the Government and industry in a new tripartite forum on wages and prices.

President Sarney: marathon cabinet meeting.

FIESP, the powerful Sao Paulo industrialists' federation, added to the newfound optimism with a report predicting record industrial growth of 12 per cent for 1986, and a further 6-7 per cent rise in 1987 as investment made this year works through into raised capacity.

These figures for the Sao Paulo region, which accounts for some 55 per cent of total Brazilian production, are consistent with President Jose Sarney's declared target of 5-7 per cent growth next year.

Mr Sarney stated the objective at a 12-hour cabinet meeting on Wednesday in which objectives for 1987 were discussed. The President called for a 30 per cent annual rise in industrial exports with the emphasis on the development of the chemicals, information, paper and biotechnology industries.

UK NEWS

Privatised Rolls-Royce 'will stay British'

By Michael Donne

THE GOVERNMENT is to press ahead with the privatisation of Rolls-Royce next April or May and make special provisions to ensure that the company remains British.

There will also be an issue of additional new ordinary shares, in addition to the basic flotation, to provide upwards of £270m to cover net borrowings of the group.

Although no official figure has been given for the amount expected to be raised by the privatisation City of London estimates have put it at between £750m and £1bn.

Mr Paul Channon, Secretary for Trade and Industry, outlining the Government's plans in a written parliamentary answer, stressed that the company would remain substantially in UK hands.

The proportion of foreign-owned shares would be limited to 15 per cent, and this would be ensured by the Special Share the Government intends to create.

In addition, disposals of more than 25 per cent of the company's assets, or of "significant" assets used for nuclear business, would be subject to the Government's consent through the Special Share.

The Government would also require that the chairman, managing director and at least 75 per cent of the board shall be UK citizens.

Also, *individual shareholdings* will initially be limited to 15 per cent, up to January 1 1989, when the protection given by the Special Share for that condition will lapse.

Mr Channon also said that the company would be given a capital structure to enable it to operate without the need for Government assurances covering payment of tha company's debts in the event of any further liquidation.

This will involve, in addition to the share sala, the creation of sufficient additional, new Ordinary shares to match the net borrowings of the company and its subsidiaries.

The number and value of these new shares is not yet determined but will be based on the net borrowings figure in the company's accounts for tha year to end-1986, which are expected to be published in the new year.

If calculated on the basis of net borrowings in last year's accounts, however, the value of the new shares would be in excess of £273m.

Jobless total falls for fourth consecutive month

BY JANET BUSH

THE Government yesterday reported the fourth consecutive monthly fall in the official unemployment total in November and said the jobless trend was now firmly downwards.

Lord Young, Employment Secretary, said that the total of those eligible for benefit was now at its lowest point this year and that, since the turning point in July, seasonally adjusted unemployment had fallen by more than 77,000.

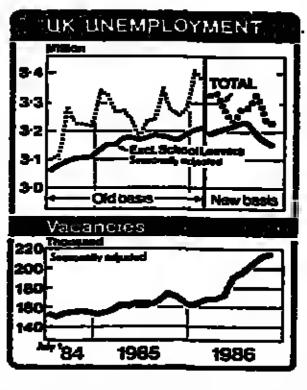
He said the Restart scheme, aimed at helping some of Britain's 1.35m long-term unemployed to find jobs, had undoubtedly played an important part in November's fall but that a stronger economic performance had also been a significant factor.

Mrs Molly Meacher, campaign organiser for the Charter for Jobs, said: "The monthly figures issued yesterday are now more an index of the Government's success in harassing people off the register than of job opportunities in the country."

Tha Charter for Jobs estimates that Restart could bave taken 10,000 off the unemployment register rather than the 7,000 quoted by Lord Young.

Mrs Meacher said the Government's new availability for work test could take another 25,000 people off the unemployment count next month without creating any extra jobs in the economy. Employment Department officials said yesterday that any effects of the test could start coming through this month.

The Employment Department figures released yesterday showed that the seasonally adjusted total of benefit recipients had fallen by 20,300 in November to 3.15m after declining by 26,400 in each of September and October, giving the largest three-monthly fall since March 1973.



The number of people employed in manufacturing industry fell by a seasonally adjusted 14,000 in October, compared with the previous month. The unadjusted claimant figure, which includes school leavers, fell by 20,387 in November compared with October to 3.22m.

November's estimates of the number of employees in work take into account the results of the 1984 Census of Employment.

The officials said the revised series still showed that the number of workers in employment had risen by more than 1m between March 1983 and June 1986. The fresh information appears to confound the view that a large number of women took part-time and not full-time jobs in recent years.

Separate figures released yesterday showed that the underlying increase in average earnings was still stuck at 7.5 per cent in October. There was, however, a slowdown in the rise of unit wage costs in manufacturing industry in the three months to October, both because of increased output and the decline in the labour force.

Tougher air pollution measures will meet EEC requirements

BY ANDREW TAYLOR

PLANS to increase the range of companies covered by industrial air pollution standards and to give local authorities stronger powers to prevent companies polluting the atmosphere were announced yesterday by the Government.

The proposals, contained in a consultation paper published by the Environment Department, are designed to bring Britain into line with EEC legislation due to take effect on July 1.

Emission limits are already established by the Industrial Pollution Inspectorate (IPI) of the Health and Safety Executive to determine whether industries and processes identified as likely to cause air pollution use the "best practicable means to prevent and render harmless atmospheric emissions."

Tha new legislation will identify further processes which will also have to satisfy emission standards to be monitored by local authorities.

The new category will include: smaller ferrous metal foundries, plants manufacturing asbestos-based products or producing bulk glass and ceramics, as well as hospital incinerators and plants disposing of non-toxic and non-dangerous waste by incineration.

Plants affected by the legislation will require consent from local authorities before starting operations. Authorities would have to be satisfied that plants could operate within the statutory emissions standards and guidelines to be established by the Environment Secretary.

It would be an offence for a scheduled process to operate without the prior consent of a controlling authority, says the consultative document. It says that owners of scheduled process would have the right to appeal to the Environment Secretary.

A similar arrangement already affects processes monitored by the IPI which, under the new legislation, will also have responsibility for more industrial processes.

Local authorities presently have only limited powers to deal with processes not covered by the inspectorate. In many cases, they can act only once pollution has taken place, as defined by the nuisance provisions of the Public Health Acts.

There are also plans to establish local registers, open to public scrutiny, on the pollution requirements set for individual plants. The cost to local authorities, estimated at £500,000, is expected to be met from existing budgets.

C.E. Heath loses 28 staff in defection

By Nick Bunker

C.E. HEATH, the UK's sixth-biggest quoted insurance broking group, was hit yesterday by a mass defection of 28 senior staff just four weeks after its merger with Fielding Insurance, a fellow Lloyd's broker.

The people leaving Heath include three directors of the group's principal Lloyd's broking subsidiary, each of whom also head important operating divisions. All 28 are to join Citicorp Insurance Brokers (CIB), a small but growing London subsidiary of the giant US banking group.

Leading City of London analysts were unable last night to recall such a big loss of executives from an insurance broker, in spite of the sector's reputation for rapid turnover of top employees.

Mr Richard Fielding, Heath's group chief executive, said the blow was "not mortal. It's better to know as soon as possible who's going and who's staying."

The news came as the latest in a series of problems to hit Heath, which has also had to fight off a hostile takeover bid launched in October by PWS Holdings, another insurance broking group. Its share price closed 24p down last night at 435p.

CIB said that the people leaving Heath had approached CIB in November. It denied offering them any big cash incentives to change jobs. It named five of the men leaving as Mr John Bassett, Mr Tony Frost, Mr Tony Hamilton, Mr John Percy-Davis and Mr Hugh Tilney.

Mr Bassett is understood to have been in line for promotion to the Heath group's main board. He is the chairman and managing director of C. E. Heath (Aviation) and C. E. Heath (Aviation Reinsurance), according to Heath's last annual report.

Mr Percy-Davis, Mr Frost and Mr Hamilton are chairmen and managing directors respectively of C. E. Heath (International), C. E. Heath (Marine) and C. E. Heath (Latin America).

The news was a complete surprise to Mr Richard Fielding, Heath's group chief executive since the recent merger. That merger was seen in the City as a reverse takeover aimed at bolstering Heath's management.

David Buchan reports on the industrial benefits of the Boeing deal

Vying for Awacs spin-off

BOEING'S commitment to place with British industry contracts worth 130 per cent of the value of the Awacs radar aircraft it is selling to Britain has been hailed by many UK companies as a chance to export more to the US and the many other foreign markets in which the US company is involved.

The offset deal, which exceeds the 100 per cent "counter-trade" requirement stipulated by the UK Defence Ministry, constitutes the highest ratio of offset ever offered by Boeing and is a measure of the US company's determination to win the UK airborne early warning contract.

Offset arrangements, common in all major international defence and aerospace deals, do not guarantee contracts that could otherwise be proven not to have been placed. But within this essential limitation, Boeing stresses its contractual obligation to give UK industry work worth at least 130 per cent of the value of the Awacs deal over the next eight years.

Boeing is also committed to showing that these contracts will involve technology equal or greater in sophistication than that involved in its Awacs system. This criterion may be difficult to implement but is designed to meet the criticism by proponents of the unsuccessful British Nimrod radar alternative that Boeing is only offering "tin-bashing" work to UK industry.

More than 250 British companies have expressed interest in getting offset work, Boeing claims. But Boeing has so far made no binding commitments, even on the 10 per cent of the total offset which is expected to take the form of subcontracts of the Awacs system itself. The reason is that Boeing has needed to keep its hands free to get the most competitive subcontract bids to meet its Awacs price commitment to the British Government.

However, three companies – Plessey, Racal and Ferranti, which happen to be GEC's main British competitors in defence electronics – are probably a jump ahead of the rest by virtue of the detailed discussions they have already held with Boeing and Westinghouse, maker of the Awacs radar.

Plessey and Racal last night welcomed the Awacs purchase. Mr George Younger, the Defence Secretary, paid tribute to Boeing's "excellent record" in honouring offset agreements. "Our assessment is that job losses resulting form the cancellation of Nimrod will be equalled, if not exceeded, by job gains in firms all over the country resulting from Boeing's offset proposals."

Plessey is likely to get most of the 10 per cent offset directly relating to the Awacs system. It has signed a collaborative agreement with Westinghouse, now brought into effect by the Awacs sale to the UK, whereby Plessey will help make minor adaptations of the Awacs radar to RAF requirements and co-operate in research into making future Awacs radar capable of operating on ultra high frequency (UHF) as well as S-band wavelengths.

Boeing has already been instrumental in winning Racal a \$300m-\$500m (£214m-£357m) contract to build up a tactical radio-making industry in Saudi Arabia. This helps Boeing fulfil its offset commitment to Sandia Arabia, which is also buying five Awacs aircraft. But, to the extent this involves direct Boeing-Racal contracts, Boeing intends to count such contracts against its offset commitment to Britain. Ferranti is expected to supply some display systems for the British Awacs but has also discussed collaboration with Boeing on Star Wars research work.

Exchange proposes better quote system

BY BARRY RILEY

SEVEN weeks after Big Bang deregulation of the City of London, the stock exchange is proposing improvements in the market's screen-based system for disseminating quotes, called Seaq (Stock Exchange Automated Quotations).

The main changes proposed, to take effect from Tuesday, February 3, 1987, are:

● The mandatory quote period is to last from 9.00 am to 5.00 pm, during which market makers will be required to maintain firm two-way prices. Prices at 5.00 pm will be the official closing prices. However, Seaq will be operational from 7.30 am to 6.00 pm.

● Market makers can now indicate a willingness to deal in large size only by putting an "L" on the screen, meaning 100,000 shares or more. From next May they will be able to put up multiples of L.

● It will be possible to display firm prices and sizes in gamma stocks. At present these quotes are only indicative and must be confirmed by telephone.

● Upgrading of a gamma stock to beta status will be allowed with only four market makers, rather than six as before. But all the market makers will have to display firm prices.

●Market makers displaying larger sizes will be allowed to displace other market makers on the "yellow strip," which highlights the most competitive market makers on each screen. Priority will be determined not only by price and time, as now, but also by size.

● Market makers will be obliged to deal with other market makers only in the size which the second market maker is quoting on the screen.

Investor protection outlined

By Eric Short

INVESTORS will be able to be reimbursed up to £100,000 in disputes with investment firms and receive compensation up to £48,000 in the event of the collapse of such firms under the ombudsman and compensation schemes proposed by the Securities and Investments Board (SIB), the proposed regulatory body for the financial services industries.

Details of the schemes and the proposed fee structure to cover the administration cost of Sib were released yesterday by Sir Kenneth Berrill, Sib chairman.

Under the 1986 Financial Services Act, all firms doing investment business must be authorised. Two of the many conditions for authorisation will be that firms have to belong to the Financial Services *Ombudsman* scheme and participate in the compensation scheme.

The ombudsman scheme set out by Sib will cover business directly authorised by the board as well as members of the separate Self-Regulatory Organisations (SRO).

It is intended that the ombudsman service investigate disputes between private investors and authorised businesses where the dispute cannot be resolved directly between the two parties or by the SRO.

The intention is that the complainant would not have his dispute investigated until be had approached the senior management of the firm and failed to get the complaint resolved. The ombudsman will have full powers of access to information within the firm and firms will be required to provide all necessary assistance in the inquiries.

The ombudsman will be able to award claims against firms of up to £100,000. However, his decision will not be binding on either party *though it is difficult to envisage* an authorised business not conforming with the decision.

The scheme, which will not be available to business and professional investors, is still in the consultative stage. Considerations are still being given as to how the SROs would operate a complaints procedure and how to fit in with existing arrangements.

Consideration is also being given to whether the ombudsman should report any breaches of authorisation revealed *during his investigations.*

The Consumers' Association considers this scheme to be seriously flawed in that decisions are not binding on the investment business. It feels that consumers should not have to rely on taking the firm to court to get redress.

Provisions for a compensation scheme were set out in Section 54 of the act – a section that was added late in the passage of the Bill, resulting mainly from the problems with the investment firm of MacDonald Wheeler.

Trotskyite candidate defeated in re-run of union election

BY PHILIP BASSETT AND HELEN HAGUE

LABOUR'S Trotskyite Militant Tendency suffered a significant setback yesterday when members of the Civil and Public Services Association decisively overturned a disputed election for the union's general secretaryship which had seen a strong Militant supporter win by the narrowest of margins.

The result of the re-run election, in which the defeated right-wing candidate in the previous poll won easily, will be welcomed privately by Labour and TUC leader and in Whitehall, where concern was expressed about the security implications of a prominent Militant supporter leading the service's largest union.

In the fresh election, Mr John Ellis, the CPSA's deputy general secretary, defeated Mr John Macreadie, an assistant secretary by a wide margin of 10,437 votes.

Full results were: Mr Ellis, 42,228 votes (45.4 per cent of those voting), Mr Macreadie, 31,791 (34.2 per cent), Mr Geoff Lewtas, 13,100 (14.1 per cent) and Mr Thomas George 5,919 (6.4 per cent).

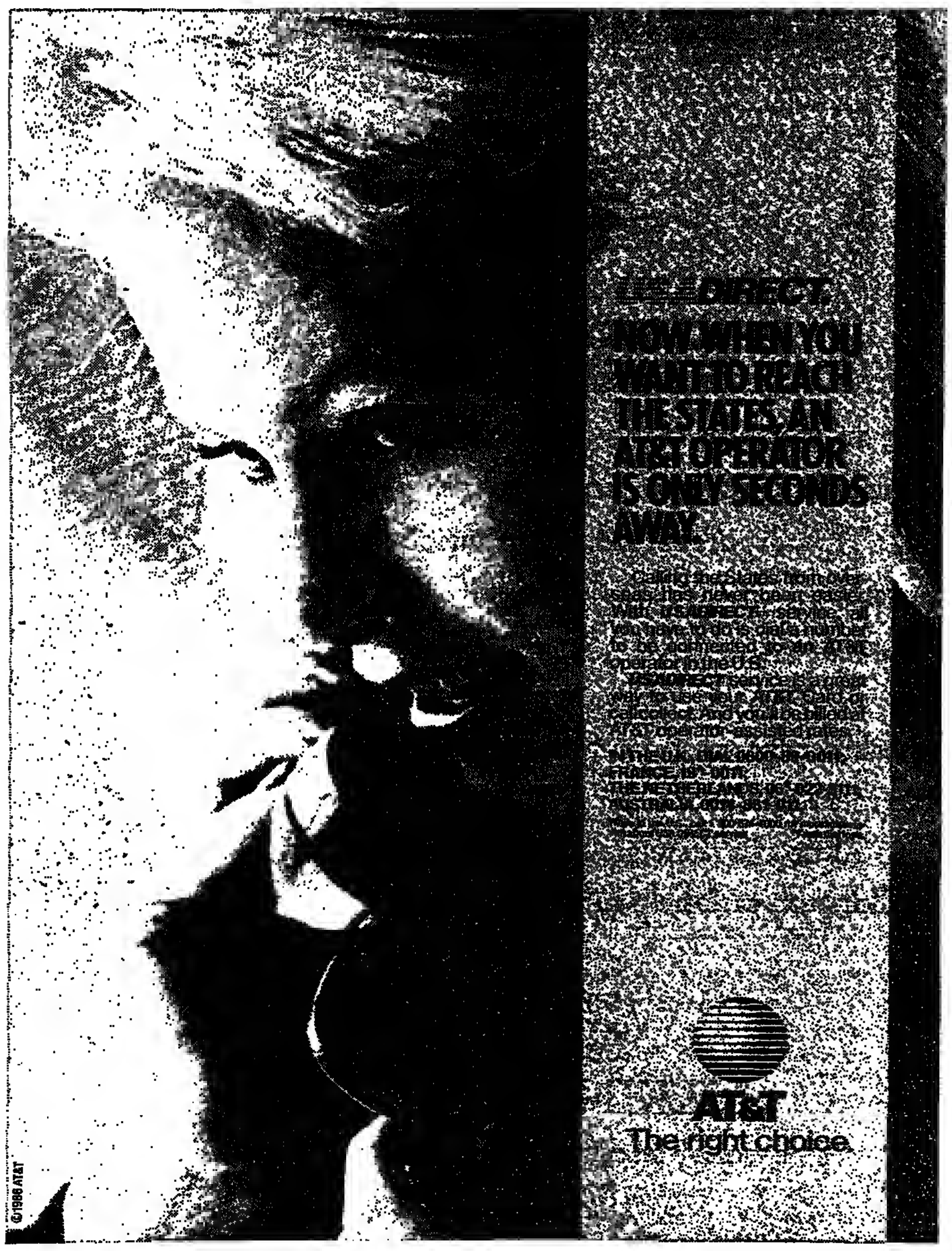
In the previous election, Mr Macreadie beat Mr Ellis by 121 votes, but subsequently its conduct was investigated by the independent Electoral Reform Society and the result invalidated after bitter wrangling in the politically deeply divided union, including High Court action.

Much of Mr Ellis' large majority *was being* put down to the greatly increased turnout – up from 39.9 per cent in the first election to 65.1 per cent this time, which is the highest turnout in the union's history.

Right-wingers claimed that Mr Ellis' victory entirely vindicated their insistence on a re-run and illustrated the importance of the tighter procedures the union introduced for the second election.

Mrs Marion Chambers, the union's right-wing president, hailed Mr Ellis's victory and Mr Macreadie's defeat as "the true voice of the grass-roots membership showing through."

Mr Ellis said that his first priority now would be to restore stability to the union. Mr Macreadie accepted *Mr Ellis* had won and said he would not challenge the vote.



Drugs body suspends Bayer UK

By Tony Jackson

BAYER UK, the British subsidiary of Bayer of West Germany, has been suspended from the Association of the British Pharmaceutical Industry (ABPI), the UK drug industry body, for abuses in promoting one of its drugs to doctors. The ABPI said Bayer had brought discredit upon the pharmaceutical industry.

According to the ABPI, a report in the Guardian newspaper in September said Bayer had for two years to 1985 offered payments to doctors for bogus trials – known as "unofficial assessments" – of its heart drug Adalat Retard.

The ABPI said: "Bayer UK admitted that during the period in question, certain company representatives had set up what were termed unofficial assessments to increase sales and that doctors had been given fees for these assessments or occasionally been provided with goods or travel."

Bayer described the decision as "extremely harsh." The practices complained of had never been company policy and had occurred only in isolated instances. They had ceased well over a year ago, when the company had taken "firm and comprehensive action" to eradicate them completely, Bayer said.

The ABPI said that, although it received about 50 complaints a year and two thirds were found to be in breach, this was the first time it had suspended a company. The suspension is indefinite but will be reviewed at some time after July 1987.

Britain set to retaliate against US unitary tax

BY CHRISTIAN TYLER

THE British Government is to keep on the statute book a measure that would enable it to retaliate against the taxation by the unitary method of British companies operating in the US.

Mr Norman Lamont, financial secretary, said the Government recognised the progress made by American states in limiting use of the system – especially repealing legislation in California – but would not recommend repeal of the countermeasure until a "comprehensive solution" had been found.

He said unitary tax was still on the statute books of three states, and that in California *foreign companies* faced large fees if they opted not to be assessed by the unitary method.

The system, which has been the subject of a long-running controversy between the US and foreign investors from Europe, Canada and Japan, allows states to assess worldwide earnings, payroll and other factors when claiming tax from local subsidiaries.

Political pressure and the threat of disinvestment by the companies had led most of the dozen states who adopted the system to abandon it.

The enabling legislation allows the UK to withdraw tax credits on the British *subsidiaries* of American companies.

Growth in narrow money supply nears top of range

BY JANET BUSH

GROWTH in narrow money supply accelerated further towards the top end of the Government's target range in November, according to provisional figures released yesterday by the Bank of England.

Mr Nigel Lawson, the Chancellor of the Exchequer, cited growth in the narrow measure of money supply, Mo, above the middle of its 2 per cent to 6 per cent target range as one factor behind the decision to raise base lending rates to 11 per cent in October.

Since then, Mo has continued to rise steadily. In calendar November, the Bank estimated that seasonally adjusted Mo had risen by about 1 per cent in calendar November, taking its annual rate of growth to about 5¼ per cent.

Growth in Mo in the early part of 1986 was almost flat, and City analysts believe there is a strong possibility that steady monthly rises at the beginning of next year could push the measure above the top of its target range.

Despite the very low Public Sector Borrowing Requirement in November reported earlier this week, broad money sterling M3 was estimated to have risen by about 1¼ per cent on a seasonally adjusted basis, taking its annual growth rate to about 18½ per cent.

Broad money supply growth was boosted by a very large seasonally adjusted rise of £3.9bn in bank lending last month which compared with an average of about £2.6bn a month over the previous six months.

The Bank of England said yesterday that sterling M3 was inflated to some extent at the end of the month by the oversubscribed British Gas share issue. It said that, although applications could be made up to December 3, some building-up of deposits would have occurred by the end of November.

Figures released separately yesterday by the Banking Information Service painted a slightly different picture on the trend of bank lending. While there were rises in the lending by clearing banks to the personal sector, including for house purchase, these were not particularly large. Total lending by the clearing banks rose an underlying seasonally adjusted £900m in November compared with a rise of £850m in October.

UK government bonds fell up to ⅝ point in an immediate reaction to yesterday's figures which showed growth in the monetary aggregates generally above the forecasts of independent economists. They had looked for a rise in sterling M3 of between ¾ per cent and 1 per cent and of about ¾ per cent for Mo. The bank lending total was also higher than most forecasts which had been for about £2.5bn.

Peugeot Talbot 'will stay in the red'

By Kenneth Gooding

PEUGEOT TALBOT, the UK subsidiary of the French cars group, will remain in the red this year, Mr Geoffrey Whalen, managing director, said yesterday.

Earlier this year the company forecast it would return to profit after a £12.8m loss in 1985. But it has been blown off course by the collapse of its contract to supply car kits to Iran.

Mr Whalen said: "Our performance has not been catastrophic. It is just worse than we had hoped."

He said Peugeot Talbot ws now completely viable without the Iran contract, which at its peak contributed aout £100m a year or about 40 per cent of the group's annual turnover. This year it would account for only 2 per cent.

The company would probably return to profitability next year and would certainly be in the black in 1988, after the launch of two more versions of the Peugeot 309 and the new family saloon, code named D60. This will be put into production at Peugeot Talbot's Ryton factory towards the end of next year.

Mr Whalen said he had talks with representatives of the Iranian company this week and retained some hope that the contract could be revived. But this would be possible only if there were guarantees that cash for the kits was available. No employees would be recalled to work on the kits otherwise.

So far this year, Peugeot Talbot has shipped 7,800 kits to Iran and hopes to send another 5,000 in the next few weeks to reduce stocks which currently stand at 18,000.

Iran took 80,000 kits in the best year and regulary ordered 40,000 to 50,000.

Mr Whalen said Peugeot Talbot had been able to weather the difficulties caused by the fall in sales volumes associated with the Iran contract.

He predicted the Peugeot Talbot share of the UK new car market would rise to 5.5 per cent in 1987 from about 4.5 per cent this year, and that it would be running at an annual rate of 6 per cent after the introduction of the D60 at the end of next year.

He warned that car prices will rise much faster than inflation next year.

Austin Rover and Honda sign agreement on next car venture

BY IAN RODGER IN TOKYO AND KENNETH GOODING IN LONDON

A FORMAL agreement covering the next joint venture car to be produced by Austin Rover, part of the state-owned Rover Group of the UK, and Honda of Japan was signed yesterday.

Austin Rover immediately attempted to counter fears among its European suppliers by insisting that versions of the new car to be built in Britain would have a high EEC content – "as close to 100 per cent as possible."

EEC suppliers will be invited to tender for the supply of all components at an early stage in the design and development process, "and many are already involved with the Austin Rover and Honda engineers who are working together on the project."

The companies in June 1989 signed a statement of understanding about further collaboration with a project for a medium-sized car which Austin Rover calls the AR8 and Honda has named the YY.

When the new model appears, probably in 1989, it will replace the Austin Maestro and the Rover 200-series cars, and possibly the Honda Accord, although the Japanese company said YY would be slightly smaller than the Accord.

Austin Rover will build versions of the new car in the UK for Honda as well as for its own use. Honda will reciprocate by making Austin Rover cars in Japan as well as its own.

This follows the pattern set by the recently launched, jointly developed executive car, the Rover 800/Honda Legend. Austin Rover will start building Legends at Cowley, Oxford, and Honda will produce Rover 800s at its Syama plant, near Tokyo, from early next year.

Although top-of-the-range versions of the Rover 800 use imported Honda V6 engines and all models employ a Japanese transmission, Austin Rover claims that the Rover has a 95 per cent European content and an 85 per cent UK content measured by ex-factory value.

The Rover 200-series cars, based on the Honda Ballade and made under licence, have an 87 per cent UK content, according to Austin Rover, even though some versions use a 1.3 litre Honda engine and matching transmission.

Collaboration between the two companies dates back eight years with an agreement for Austin Rover to build in the UK the predecessor to the Ballade which was sold as the Triumph Acclaim.

The relationship was recently widened when Austin Rover began to build Ballades at Longbridge, Birmingham, alongside the Rover 200 cars. The companies hope that more than 4,000 of the cars, which qualify as British and escape the restrictions on Japanese imports widespread in Europe, will be required next year.

Wellcome discusses marketing ulcer drug

By Tony Jackson

THE Wellcome Foundation has confirmed that it is in talks with SmithKline, the US drug company, over marketing the ulcer drug Tagamet as a non-prescription treatment in the UK and other countries.

Tagamet, first introduced by SmithKline 10 years ago, is one of the biggest-selling prescription drugs in the world, with annual sales of close on $1bn (£700,000). Since it works by suppressing the production of stomach acid, it is seen as having big potential as a remedy for acid indigestion.

Wellcome described the agreement with SmithKline as very preliminary and confirmed the SmithKline view that the project would take several years.

The two companies will co-operate in studying ways of getting the drug over the various regulatory hurdles.

Wellcome said: "Our view is that it is not going to be an easy task getting it switched to an over-the-counter product. The best strategy will take a lot of working out."

To be accepted as an over-the-counter treatment in the UK, a drug has first to gain approval from the Committee for the Safety of Medicines. In the case of Tagamet, this may involve further clinical trials.

It then goes through a consultation period, which has been known to last for up to two years, during which any interested parties such as consumer groups or retail pharmacists can make representations. It then goes to the Department of Health for final clearance.

Wellcome said that, although collaboration at present was only for the UK market, it hoped to work together with SmithKline in other markets around the world.

Inventors win settlement in medical patent case

BY DAVID FISHLOCK

THREE British inventors will share an out-of-court settlement won by the British Technology Group in the US courts over alleged infringement of their patent for a process to make medical images.

The inventors, Dr Allen Garroway, Professor Peter Mansfield and Dr Peter Grannell, all formerly with Nottingham University, in the Midlands, obtained a patent for the nuclear magnetic resonance (NMR) method of taking images of the living body.

The patent relates to slice-selection, an electronic technique for generating a TV-type picture of a slice section of an organ in the body.

The technique is used today by most companies marketing NMR imaging, BTG said yesterday.

The technology group took action against Johnson & Johnson, the international health care corporation, for having paid no royalties, despite having been BTG's first NMR licensee.

Johnson & Johnson announced last April that it would be withdrawing from the diagnostic imaging market and closing its Technicare division.

Earlier this year, BTG alleged breach of contract and claimed royalties relating to Technicare's sales of NMR imaging systems.

BGT said the out-of-court settlement involves a substantial cash payment, which it will be sharing with the three inventors, together with licensing rights to a portfolio of industrial property relating to NMR imaging, owned by Johnson & Johnson.

The group said it understood that payments would go to the inventors, not to Nottingham University.

Under the terms of the settlement, BTG cannot disclose how much cash has been paid.

But Dr Derek Schafer, its operations director, said the group was "very satisfied both with the substantial payment we are receiving and with the favourable resolution of this legal action, which upholds the value of this pioneering invention."

The invention, known as the Galloway patent, is registered under US Patent No 4021726.

Science 'must be prepared to trim fat'

By David Fishlock

BRITISH science should be prepared for some tough decisions, including the abandonment of some programmes, according to Mr John Fairclough, chief scientific adviser in the Cabinet office.

At a press conference in London yesterday, Mr Fairclough said the extra government funding on new projects called for by university scientists should be met by chopping less rewarding sectors of British science rather than out of the present science budget.

Mr Fairclough, an engineer second from IBM, is the Government's senior adviser on national science issues.

The post has traditionally been seen as giving the science community a high-level voice in Whitehall, however, the present Government has shown more pre-occupation with industrial science and technology than some predecessors.

He said he was not advocating a shift of academic science funds to applied science but that British universities should be made more internationally competitive.

JMB losses amount to £41m

BY DAVID LASCELLES

THE NET losses of Johnson Matthey Bankers, the bullion bank which was the subject of a dramatic City of London rescue over two years ago, amount to £41.5m, according to figures released yesterday.

This sum, which is a reduction from the £53.3m estimated last year, will be borne equally by the Bank of England and a group of 23 UK banks which subscribed to a £150m indemnity package shortly after the rescue.

JMB now operates as a subsidiary of the Bank of England under the name of Minories Finance.

Most of the business has been sold off, and the company consists of the rump of JMB's loan book and two small commodity companies which are being offered for sale. The loan book amounts to £301m, against which £249m of loss provisions have been made.

The company's annual report for the year ending June 30 show that its net worth was then £75.1m, slightly more than the £75m which the Bank of England invested in it to prevent its collapse. (A further £25m investment has already been repaid.) This net value is higher than the £62.6m reported last year and is the result of profits on sales of assets and better than expected recoveries of bad debts.

The improvement strengthens the chances of the Bank of England recovering its investment. When Minories Finance is finally wound up – possibly in several years' time – the proceeds will first go to repay the Bank's investment plus interest, and its costs. Any money remaining after that will go to the indemnitors, of which the Bank is also one.

Minories Finance's funds might be further enhanced if it wins its action for damages against Arthur Young, JMB's former auditors.

Retailers 'optimistic after excellent year'

BY CHRISTOPHER PARKES

BRITISH RETAILERS expect record Christmas sales to round off a year of exceptional growth in all sectors, according to the Confederation of British Industry (CBI).

The latest quarterly CBI/Financial Times survey of the distributive trades also shows that increases in retailers', wholesalers' and motor distributors' selling prices have started to accelerate, following the slowdown which started in January.

Mr John Salisse, chairman of the survey panel, said that, while the results of the poll of more than 600 companies were less optimistic than Department of Trade and Industry estimates earlier this week, both pointed to record sales for December.

The DTI's provisional figures said that retail sales volumes in November were 2.35 per cent higher than in October. This, Mr Salisse warned, "may turn out to be over-optimistic."

Retailers are positive about the future. More than 80 per cent of shops selling durable household goods, such as hi-fi equipment, cookers and fridges, expect December sales to outstrip last year's. A similar proportion of clothing stores also expect a higher turnover.

However, wholesalers' sales during November were disappointing. Although volumes exceeded those for the same period last year, the increases were less than expected, and slower growth is expected to continue into December.

To assess suppliers' expectations, the survey calculated a percentage balance by subtracting the percentage of respondents expecting reduced sales from those expecting increases.

A balance of + 56 per cent of wholesalers had expected higher sales last month, but only + 33 per cent reported increases. Mr Salisse suggested that this disappointment at this might have tempered expectations for December. According to the survey, a balance of only + 22 per cent of wholesalers are looking forward to increased sales.

The most optimistic "middlemen" were suppliers of builders' materials, household durables and electrical installation equipment.

Farm machinery dealers and industrial materials suppliers continued to report lower volume sales than a year ago.

However, all three sectors surveyed expect business to improve during the next three months.

While retailers are the most optimistic, the proportion expecting to increase investment was the lowest since August 1983. This suggests that the recent boom in shop refurbishment is subsiding.

Hong Kong bus order

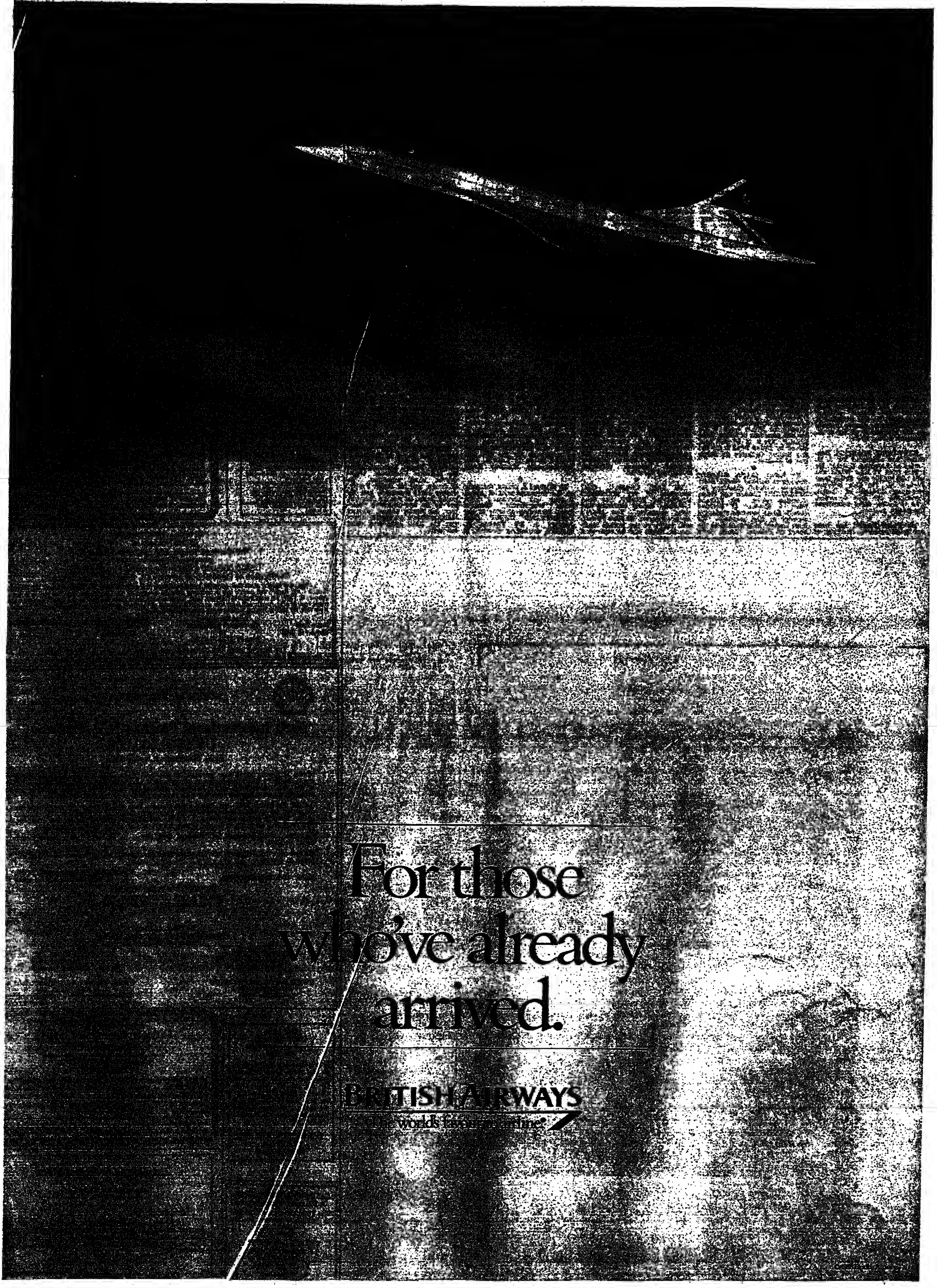
BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND BUS has won a £3m order for 61 three-axle Olympian double-deck buses from Kowloon Motor Bus Company, Hong Kong.

The bus chassis will be built at the Leyland Farington plant in Lancashire, and the bodies will be supplied by Walter Alexander of Falkirk in kit form.

Designed for Hong Kong's heavy traffic, the Olympian buses will accommodate 118 seated passengers and 34 standing.

The latest order, won in competition with other UK producers, brings the number of Leyland buses ordered by KMB this year to 156.


For those who've already arrived.
BRITISH AIRWAYS

APPOINTMENTS

Reconstruction of Balfour Beatty Group board

Following the addition of the Haden Building Services companies, the BALFOUR BEATTY GROUP board has been reconstructed. It now comprises: Mr D. A. Holland, chairman; Mr R. C. M. Rankin, chief executive; Mr N. Ashley, executive director, Balfour Beatty Construction International; Mr R. A. Biggam, corporate; Mr I. Carrell, executive director, Balfour Beatty Power; Mr D. W. Cawthra, executive director, Balfour Beatty Construction; Mr F. L. Clarke, corporate; Mr G. J. Grist, finance director; Mr R. F. Morgan, corporate; Mr K. M. Odell, engineering director; and Mr J. Stevenson, non-executive.

★

Mr Bill Menzies-Wilson will retire as chairman and chief executive of OCEAN TRANSPORT AND TRADING at the group's annual meeting next May. He will be succeeded by Mr Peter Marshall, who will become non-executive chairman.

★

KEY FUND MANAGERS has appointed Mr Gordon C. Stroud as managing director upon the retirement of Mr Brian Perkins who remains a director.

★

CHEVRON PETROLEUM (UK) has appointed Mr Myron Moreau as general manager, operations, based at Aberdeen. He succeeds Mr Charles Lantrip who has retired. Mr Moreau was operations superintendent, eastern division, responsible for all production and engineering activities offshore Louisiana and Florida.

★

DEREK BRYANT GROUP has appointed Mr E. Geoffrey MacDonald as finance director (designate). He will assume full responsibility as finance director on the retirement of Mr S. K. Thomson during 1987.

★

HEPWORTH PLASTICS, Doncaster, has appointed Mr J. D. Carter as managing director. He moves from TI New World and will take up his new duties from January 5. He also becomes managing director of Bartol, succeeding Mr Bob Anderson, who is taking early retirement for health reasons.

★

Mr Peter Russell has been appointed executive chairman of LYNN REGIS FINANCE and Mr B. G. Mabey becomes non-executive.

★

Mr Brian North, chairman of W. A. Holdings, has been appointed a non-executive directorm of ALEXON GROUP.

★

Mr Roger Adlington, Mr Kevin Costello and Mr David Turner have joined the board of GODSELL & CO (DEPOSITS), a subsidiary of Exco International.

★

Mr Frank Webster, chairman of ELECO HOLDINGS, retires on December 31. Mr Field Walton, deputy chairman, becomes non-executive chairman from January 1. He is also a director of Temple Bar Investment Trust. Mr Michael Webster is made group managing director from January 1.

★

CUSSINS PROPERTY GROUP has appointed Mr Alasdair Mackenzie as Commercial Director. He joined the board last month after 13 years with the Argyll Group, where he was director of development for Argyll Stores. He succeeds Mr A. E. Swaisland who has resigned.

★

Mr Christopher Kemball has been appointed a managing director of the US investment banking company DILLON READ & CO INC and an executive managing director of its UK-based affiliate, Dillon Read Limited. He was a director of Kleinwort Benson and vice chairman of its US holding company. Mr Kemball will be based in London, where he will be responsible for jointly managing Dillon Read Limited with Mr Lorenzo D. Weisman, a managing director of Dillon Read & Co Inc and president of Dillon Read Limited, which is 50 per cent owned by Dillon Read & Co Inc and Societe Generale de Belgique of Belgium.

★

Mr Robert Cragie, managing director of Bellway (South East) becomes regional chairman for BELLWAY'S London and Home Counties region. Mr Richard Parr, a director of Bellway (South East) becomes managing director of that company. Mr Neal Lockart is appointed to the board of Bellway (South East) as technical director and Mr Bahcu Karim a director of Bellway (South East) also joins the board of Bellway (North London).

★

From January 1 Mr Chris Holden has been appointed manager of the DEUTZ MWM and MWM diesel division of KHD Great Britain. He was a director of the former MWM UK distributor, taking up a new appointment with KHD Great Britain after MWM merged with KHD.

★

BANKERS TRUST COMPANY has appointed Mr John E. Adshead as director, human resources, for its Europe, Middle East and Africa region. Based in London he replaces Ms Maxine S. Katz, who is to take up a senior position in New York. Mr Adshead joins from Bank of America.

★

CHEMICAL BANK has restructured its mortgage group and set up a wholly-owned subsidiary company, Chemical Bank Home Loans. The chairman is Mr James M. Frost, general manager of Chemical Bank UK, and the managing director is Mr David Cameron-Moore who recently joined Chemical Bank from American Express.

★

Mr Roger Miles has been appointed director and secretary of CONCENTRIC, Birmingham. He was a partner in Bettinsons.

★

Mr Bill Bailey has been appointed to the ASDA board as non-food trading director. He was managing director of Alpine Holdings, and will replace Mr Gerry Killarney who is leaving to pursue personal business interests but wil lretain a consultancy role. Mr Geoff Street, marketing and merchandising director, is made merchandising and development director. Mr Paul Dowling, corporate planning director, becomes corporate marketing director.

★

Mr John Campbell, chief executive of the ECONOMIC FORESTRY GROUP, has been appointed deputy chairman and chief executive. The group's finance director, Mr John Perrott, will retire at the annual meeting in March and be succeeded by Mr Bob Shaw who will be retaining his current post of forestry operations executive.

★

Mr Roger de Pilkyngton has been appointed sales director of PAYNE & GUNTER.

★

NEWS INTERNATIONAL has appointed Mr Mike Ruda, advertisement director of Times Newspapers, as group marketing director of The Times, The Sunday Times, The Sun and The News of the World.

★

BELL CANADA INTERNATIONAL has appointed Mr Donald G. Wright as deputy chairman and managing director of BCI (UK). He succeeds Mr Rheal A. Proulx, who is returning to Canada to a post in the corporate office. He was vice president of Telecom Canada.

★

Mr Ken Lamacraft takes over as managing director of PARFUMS CHRISTIAN DIOR at the end of January. Mr James Lange, managing director for the last eight years, is retiring. Mr Lamacraft joins from House of Fraser where he was buying director. Parfums Christian Dior is part of the Moet Hennessy Group.

★

BARCLAYS BANK has appointed Mr Christopher Wheeler as head of investor relations.

★

WINDSOR LIFE'S appointed actuary, Mr Brian Wood, has been appointed director and actuary with a seat on the board.

★

The REPUBLIC NATIONAL BANK OF NEW YORK has appointed Mr W. Trevor Robinson as senior consultant for the UK from January 1. Before his retirement last September, Mr Robinson was executive vice president in charge of operations for the UK and Ireland, based in London, with Manufacturers Hanover Trust Co.

★

Mr Michael J. Birkin, formerly on the corporate staff of Allied Dunbar and previously with Price Waterhouse, becomes group managing director of the INTERBRAND GROUP from January 1. Mr Thomas R. Blackett, marketing director, is appointed managing director of InterBrand (UK) and of Novamark International. He also becomes a group vice chairman. Mr Charles E. ("Chuck") Brymer, president of InterBrand Corporation, New York, is appointed to the group board and also becomes a group vice chairman.

★

Mr F. Massoud, managing director of Chile Copper, has been elected chairman of the COPPER DEVELOPMENT ASSOCIATION. Mr S. C. Lowe, Memaco Services, and Mr H. W. Uhlig, Inco Europe, have been elected vice chairman.

★

TOWERS PERRIN FORSTER AND CROSBY has appointed Mr Chris Smart as UK managing director from January 1 following the retirement of Mr Dave Stoner.

★

Mr C. Beattie, Mr S. Bertenshaw, Mr J. Garrish and Mr J. Law have been appointed associate directors of LLOYD THOMPSON from January 1.

★

On December 31 Mr Jon W. Old retires as president and chief executive officer of GRANDMET USA INC. Mr Ian Martin, Grand Metropolitan's main board director in charge of US operations, becomes chairman and chief executive officer with direct responsibility for the operating subsidiaries of GrandMet USA Inc.

★

BAIN DAWES has appointed the following directors: Mr John Benvie, Manchester; Mr John Brimlecombe, Risk Management Consultants; Mr Gary Gray, North American division; and Mrs Elizabeth Rooke, contractors and professional liability division.

★

WOOLWORTH has appointed to the board of its newly acquired record distribution company, Record Merchandisers: Mr Malcolm Parkinson, Woolworths' chief executive, as chairman, and Mr Derek Pretty, deputy chief executive, and Mr David Defty, its finance director, are to be non-executive directors. Mr Hasan Akhtar, Record Merchandiser's managing director, has been appointed chief executive.

REPUBLIC NEW YORK CORPORATION
US$150,000,000
Floating Rate Subordinated Capital Notes due 2009

Notice is hereby given that in respect of the Interest Period from December 19, 1986 to March 19, 1987 the Notes will carry an interest rate of 6¼% per annum. The coupon amount payable on March 19, 1987 will be US$155.62 per US$10,000 Note.

December 19, 1986
The Chase Manhattan Bank, N.A.
London, Agent Bank

Fleet Financial Group

EUROMONEY PUBLICATIONS PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the company will be held in The Stock Room, Stationers' Hall, Stationers' Hall Court, Ludgate Hill, London EC4 on Monday 19th January 1987 at 10.30 a.m. for the following purposes:-

1 To receive reports of the directors and the auditors and the accounts for the year ended 30th September 1986.
2 To approve a final dividend for the year ended 30th September 1986 of 6p on each of the ordinary shares of 1p each then in issue.
3 To re-elect RMP Shields as a director.
4 To re-elect CJF Sinclair as a director.
5 To re-appoint Grant Thornton and Ernst & Whinney as joint auditors of the company and to authorise the directors to fix their remuneration.
6 As special business to propose and, if thought fit, to pass a special resolution amending the articles of association to enable the president to be appointed either from among the directors of the company or otherwise.

By order of the board
PS Gaunt
Secretary

19th December 1986

Notes:
1 Holders of international depository receipts in respect of ordinary shares in the company may give directions as to the voting of such ordinary shares on application to Banque Internationale à Luxembourg SA of 2 Boulevard Royal 2953, Luxembourg; telephone (352) 4791 4225, securities department. Such instructions must be received by Banque Internationale à Luxembourg S.A. no later than 10.30 a.m. on Monday, 12th January 1987.
2 It is proposed to pay the final dividend, if approved, on 20th January 1987 to shareholders registered on 19th December 1986.

U.S. $200,000,000
J.P. Morgan & Co. Incorporated
Floating Rate Subordinated Capital Notes
Due December 1997

Notice is hereby given that the Rate of Interest has been fixed at 6-55% p.a. and that the interest payable on the relevant Interest Payment Date, March 19, 1987, against Coupon No. 5 in respect of US$10,000 nominal of the Notes will be U.S.$163·75 and in respect of U.S.$250,000 nominal of the Notes will be U.S.$4,093·75.

December 19, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

NOTICE OF CALL AND REDEMPTION

To the Holders of

The Bank of Tokyo, Ltd., Portland Branch
(Incorporated with limited liability in Japan)

US$10,000,000 Callable Negotiable Floating Rate Certificates of Deposit due January 10, 1988 (the "Certificates")

Notice is hereby given that, pursuant to the provisions of the Certificates, The Bank of Tokyo, Ltd., Portland Branch ("the Bank") will prepay the outstanding principal amount of the Certificates identified below in full on January 8, 1987, the next Interest Payment Date, together with the interest accrued to that date. Payment will be made against presentation and surrender of said Certificates at The Bank of Tokyo Trust Company at 100 Broadway, New York, NY 10005. The Certificates being called are as follows:

Issue Date	Total Number of Certificates Redeemed	Principal Amount of Certificates	Aggregate Principal Amount
January 6, 1983	10 (Nos PT 7728-PT 7737)	$1,000,000	$10,000,000

The Bank of Tokyo, Ltd., Portland Branch, 411 SW 6th, Portland, Oregon, 97204

NOTICE OF REDEMPTION

Shell International Finance N.V., Curacao
US $500,000,000
8¼% Guaranteed Notes 1990

Notice is hereby given that pursuant to the provisions of the above-described Notes ("the Notes") Shell International Finance N.V., Curaçao, has elected to redeem all of the outstanding Notes on 1st February, 1987, at the redemption price of 101% of the principal amount thereof, together with interest accrued to 1st February, 1987.

On 1st February, 1987, the Notes shall become due and payable. Notes should be presented for payment together with all unmatured Coupons, failing which the amount of the missing unmatured Coupons will be deducted from the sum due for payment. Payments will be made in United States dollars at any of the offices listed below.

Coupons due on or before 1st February, 1987, should be detached and collected in the usual manner.

On and after 1st February, 1987, the date fixed for redemption, interest in the Notes will cease to accrue.

Dated: 19th December, 1986

Union Bank of Switzerland, Zurich
as Principal Paying Agent

PRINCIPAL PAYING AGENT:
UNION BANK OF SWITZERLAND
45 Bahnhofstrasse, CH-8021 Zurich

PAYING AGENTS:
ALGEMENE BANK NEDERLAND N.V.
Vijzelstraat, Amsterdam

CREDIT SUISSE
Paradeplatz 8
CH-8021 Zurich

DEUTSCHE BANK AG
Grosse Gallusstrasse 10-14
D-6000 Frankfurt am Main

SWISS BANK CORPORATION
Aeschenvorstadt 1
CH-4002 Basle

UNION BANK OF SWITZERLAND (LUXEMBOURG) SA
47 Boulevard Royal, Luxembourg

IRELAND
U.S. $50,000,000
Floating Rate Notes due 1990

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next six months 19th December, 1986 to 19th June, 1987 has been fixed at 6⅝% per cent. per annum. The Coupon Amount payable on Coupon No. 13 will be US$3,317.71.

THE SUMITOMO BANK, LIMITED
Reference Agent

U.S. $250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE SEPTEMBER 1996

Citicorp Overseas Finance Corporation N.V.
(Incorporated with limited liability in the Netherlands Antilles)
Unconditionally guaranteed by
CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 6⅝% and that the interest payable on the relevant Interest Payment Date, March 19, 1987, against Coupon No. 10 in respect of US$50,000 nominal of the Notes will be US$820.31 and in respect of US$10,000 nominal of the Notes will be US$164.06.

December 19, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

HILL SAMUEL OVERSEAS FUND
SICAV
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8.422

Dividend Notice

At the Annual General Meeting held on December 12th, 1986, the shareholders decided a dividend of US$ 0.38 per share payable on or after December 19th, 1986, to registered shareholders of record on December 12th, 1986 and to holders of bearer shares upon presentation of coupon Nr 15.

By order of the Board
The General Manager

Paying Agent in Luxembourg: Kredietbank S.A. Luxembourgeoise.

MANAGEMENT

Paccar

Trucking along on a personal crusade

Kenneth Gooding reports on Charles Pigott's strategy for the American family-dominated heavy truck maker

WHEN Britain's Industry Secretary Paul Channon announced that DAF Trucks of the Netherlands and Paccar of the US were candidates to buy Leyland Trucks from the state-owned Rover Group, there were many —even long-serving UK motor industry people — who asked: what is Paccar?

Although the US company has been operating in the UK since 1980 when it caused something of a sensation by buying the assets of the bankrupt Foden trucks business from the receiver, it remains relatively little known in Europe.

Partly this is because it is a highly conservative company which traditionally has kept its profile low. Partly it is because the European heavy truck industry has been in the grip of a severe recession for most of the time Paccar has owned Foden and the American company has not had much to crow about.

Even so, it has slowly and surely made changes to the Foden vehicles so that, although they might look the same, close examination shows considerable improvements in cab interior, suspension, engine choice and build quality.

But Foden is a shadow of its former self. It once employed 3,000 at the Sandbach, Cheshire, factory and had the capacity to build 6,000 trucks a year. The former Foden company collapsed under this load when the forecasts on which the expansion at the end of the 1970s were based proved to be wildly optimistic.

Today Paccar employs about 450 at Foden and it is difficult to believe the US group can be entirely satisfied with Foden's current rate of output, about 800 trucks a year. However, Charles "Chuck" Pigott, Paccar's president, interviewed shortly before the Leyland announcement, dismissed any suggestion that his company must wish it had not spent the £18m on Foden.

"In retrospect we are as pleased as we thought we would be. I know many Europeans are surprised at our satisfaction. Many thought we would not be happy unless Foden produced 15,000 or 20,000 trucks a year.

"But we are in many small businesses—niches for example. The important criterion is profitability. Foden was profitable this year. That is more important than selling thousands of trucks at a loss."

This approach has enabled Paccar to do better than simply survive in North America during years in which half a dozen companies either came close to bankruptcy or disappeared completely.

The attrition culminated earlier this year with General Motors' decision to quit the US heavy truck business by handing over its interests to a new company in which it will have only a minority stake. Volvo of Sweden has the majority and management control.

If GM, the world's largest and richest automotive group, has decided it can no longer afford to continue in heavy truck manufacturing in the US, what chance is there for Paccar, a company whose $3bn annual turnover represents about one week's sales for GM?

Competitive pressure has already forced Paccar to quit steel manufacturing and production of rail cars—its first business: the company was set up as the Pacific Car and Foundry Company. It closed two truck factories this year.

Pigott insists Paccar will remain among the North American survivors mainly because it concentrates solely on the heavy truck business—and the premium sector at that. GM is managed by executives whose dominating interest is car production and sales. The other casualties were all owned by parent groups whose interests were not wholly devoted to trucks.

Pigott points out: "Heavy trucks is Paccar's livelihood. It is our business. Trucks and truck-related operations are 90 per cent of our business. We cannot wave a magic wand and change that."

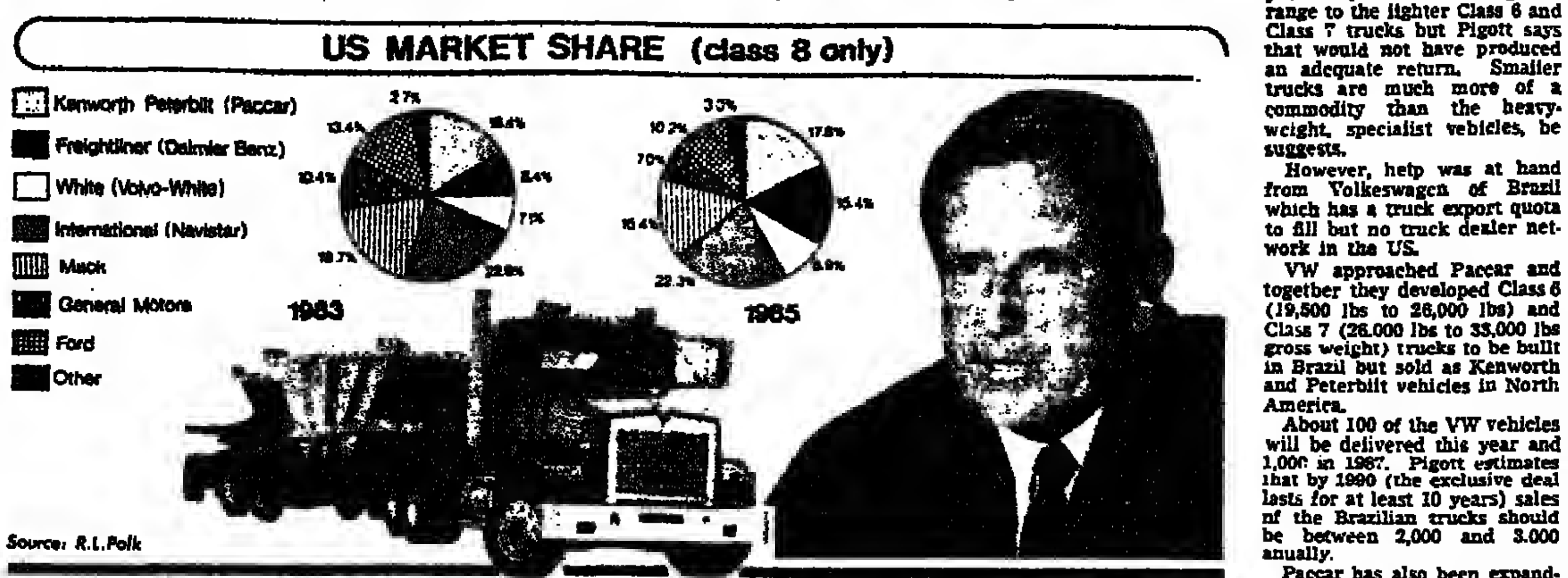
For Pigott, steering Paccar to a future as profitable as its past is much more than a challenging management exercise. It is a personal crusade.

His grandfather started the company in 1905 and although Paccar has been a quoted concern for many years, his family still owns 40 per cent of the issued capital.

Paccar emerged from the worst recession in the US heavy truck industry in living memory at the end of the 1970s when Freightliner, Mack and White all came close to extinction but were saved by injections of money and management from European producers—Daimler-Benz, Renault and Volvo respectively—anxious to gain a firm foothold in North America.

The entry of the Europeans increased competition in the US heavy truck market. Now the Japanese have begun to build a presence in the business.

Chuck Pigott is a tall, lean individual who looks like a sober banker and has none of the boisterous bonhomie usually associated with the American truck industry.



Paul Berden/Leighton Morris

Charles Pigott: "Trucks are 90 per cent of our business. We cannot wave a magic wand and change that."

His quiet conservatism sets the tone deep into the Paccar management. There are no beards. Even the women executives have developed personality-excluding uniforms of blue suits and big blue bow ties. First impressions suggest that not one cent is spent unless it can be justified.

General Motors says it cannot justify the huge investment required to bring its range up to date because very little growth can be expected in sales of US Class 8 trucks (over 33,000 lbs gross weight).

Pigott agrees that growth has gone. But he insists demand for Class 8 trucks will remain stable enough to continue to provide Paccar with a decent living.

"That was not true for steel and rail cars, which lost forever. Trucks wear out and need to be replaced. That replacement demand will ensure annual sales in the US of roughly 110,000 to 130,000, he predicts.

"We think we can continue to enjoy 20 per cent of that market," Pigott says.

Paccar's policy is to offer only premium-priced trucks, built to last 500,000 miles and costing an average of $75,000 each.

The Kenworth and Peterbilt trucks, in common with most other American heavy vehicles, might look odd and old-fashioned to a European eye, but they are demonstrably very well built.

In the US style, they are also custom-built. A customer will specify which engine, transmission, axles and so on are to be used and Paccar will build a truck around them. In this way Paccar taps the combined research and resources of suppliers such as Caterpillar, Cummins, Eaton and Rockwell.

Kenworth and Peterbilt trucks are not built unless there are customer orders for them and each truck is built to meet the customer's specifications.

This offers enormous protection during recessions. Paccar does not have huge quantities of capital equipment eating up money during downturns in demand. However, neither does it enjoy the substantial profits to be made on spare parts for engines, transmissions and other components which wear out relatively quickly.

Apart from its US operations, Paccar has factories in Canada, Mexico (where it has a 49 per cent shareholding in the Vilpac company), Australia and the UK, where it owns Foden.

Pigott claims this type of manufacturing structure enables Paccar to choose its truck components from a wide variety of suppliers, which in turn manufacture to high quality standards and state-of-the-art technology.

By making trucks in a number of locations, Paccar is able more easily to control inventory at each site and reduce exposure to labour-relations problems. It can also maximise production flexibility within the highly-cyclical truck business because it is easier to switch from one type to another at smaller sites.

Paccar's results reflect that cyclicality. Sales have varied from a low of $1.2bn in 1982 to a high of $2.2bn in 1984. In that year Paccar earned a record net income of $125m and it remained in the black during the 1982 recession with net income of $37.3m.

However, Pigott says that Paccar recognised it must reduce its costs to match expected demand. That is why it recently closed the Kenworth factory in Kansas City and the Peterbilt plant at Newark, California with the loss of about 400 jobs. That leaves Kenworth factories at Seattle, Washington, Chillicothe, Ohio, and Peterbilt plants at Madison, Tennessee, and Denton, Texas.

Like other companies, Paccar increased capacity at the end of the 1970s when, in euphoria, the US industry forecast that heavy truck sales would go on climbing to an annual 200,000.

"If we have 20 per cent of the market we can meet manufacturing commitment from four factories rather than six," says Pigott whose office in the Paccar headquarters is less than an hour's drive from the Kenworth truck factory.

Paccar was forced out of steel manufacturing by low-priced imports, a phenomenon which is still creating huge difficulties for other US steelmakers.

Pigott believes that cannot happen to his truck business. "Of course, if foreign manufacturers could put trucks into this market at 50 per cent of our price it would have a devastating effect. But we don't think they can. We don't think that, just because you come from Asia or Europe, you will have big cost advantages."

However, there was the distinct possibility that the importers — which have started in the lower-weight classes but clearly intend to tackle the top-weight category eventually — might have enticed away some of Paccar's dealers.

Paccar has worked hard to improve the quality and financial strength of its 300 or so dealers and would prefer that not to happen.

The company looked at the possibility of extending its range to the lighter Class 6 and Class 7 trucks but Pigott says that would not have produced an adequate return. Smaller trucks are much more of a commodity than the heavy-weight, specialist vehicles, he suggests.

However, help was at hand from Volkswagen of Brazil which has a truck export quota to fill but no truck dealer network in the US.

VW approached Paccar and together they developed Class 6 (19,500 lbs to 26,000 lbs) and Class 7 (26,000 lbs to 33,000 lbs gross weight) trucks to be built in Brazil but sold as Kenworth and Peterbilt vehicles in North America.

About 100 of the VW vehicles will be delivered this year and 1,000 in 1987. Pigott estimates that by 1990 (the exclusive deal lasts for at least 10 years) sales of the Brazilian trucks should be between 2,000 and 3,000 anually.

Paccar has also been expanding rapidly another of its existing businesses: financial services. Three years ago Paccar recognised that private company vehicle fleets would grow in importance as deregulation took hold in the haulage industry. So it introduced a full-service leasing package called PacLease.

But PacLease has funded the sale of $1.3bn-worth of Kenworth and Peterbilt trucks in the past three years and grown to be the third-largest organisation of its kind in the US.

Paccar is also looking for some logical diversification into industries with related technology. For example, it had unsuccessful talks about the possible purchase of Bell Helicopter from the Textron conglomerate.

It would also have given Paccar another important product to sell to the US Defence Department—already a major customer for special vehicles from its Seattle-based PCF Defence Industries division.

Foden is to share a £220m DROPS ammunition transporter contract recently awarded by the UK Defence Ministry with Scammell, Leyland's specialist vehicle producer.

For the time being, however, Paccar is maintaining its usual, straight-faced stance about the potential Leyland deal. "We are always looking at opportunities as they arise to see if they can fit in with what we already have," it says.

Management abstracts

Sexual intimacy in the workplace. G. N. Powell in Business Horizons (US), July/August 1986 (5½ pages).

Reports the results of a study of how a sample of business students — tomorrow's business managers — felt about sexual intimacy in the workplace (this is wanted sexual attention; not to be confused with sexual harassment). Discovers that most considered it appropriate only if it did not affect productivity; finds that women are less likely to think that public and private lives should mix.

Profit sharing: the principle and the practice. T. Nash in Chief Executive (UK), September 1986 (2½ pages)

Looks at the record of profit-sharing schemes in light of a recent Government Green Paper; reports enthusiasm in companies where they exist, but notes some doubts; makes the crucial point that existing profit-sharing schemes only adjust wages upwards and that few people fancy the idea of them coming down.

Twenty questions about Aids in the workplace. F. E. Kuzmits and L. Susman in Business Horizons (US), July/August 1986 (7 pages)

In question-and-answer form examines some of the medical and legal issues raised by Aids —from defining what it is to suggesting what a written personnel policy should include.

The directors and officers insurance disaster. W. Olson in Across the Board (US), July/August 1986 (5 pages)

Reviews with alarm the recent trend in the US for business people to be held personally liable for civil damages stemming from their business decisions; notes that the insurance companies are stepping up their rates on policies for directors and are busily writing exclusion clauses into policies; remarks on the effects this is having with resignations and executives deterred from serving on boards.

How to fire a director. T. J. Neff in Directors and Boards (US), summer 1986 (3 pages)

Discusses how chief executives should react when they are unhappy with non-executive directors; outlines strategies for getting rid of them—including simply buying them off.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of original articles may be obtained at a cost of £4 each (including VAT and p & p: cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY: Computing

BY ALAN CANE

Why managers are not making the most of their machines

The problem of slow response from data centres lies with the people involved, not with available technology

TOP MANAGEMENT accepts that effective use of information technology (IT) is critical to company performance, but it is too willing to regard the development of an "IT strategy" as a chore to be delegated to the systems department.

The most senior managers, moreover, find their systems departments and their personal experience of IT less than satisfactory. Their requirements are simple and should easily be met using available technology. There is however, a high level of disappointment and frustration caused more by problems with people than difficulties with technology.

These are among the most important conclusions to be drawn from two new reports on the way companies today are making use of IT.

Information Technology: Value for Money, a report from the London-based consultancy Butler Cox, is based on surveys of 76 senior managers from Europe's largest companies, 80 information systems departments and over 100 case studies from Europe and the US.

Top Executives and Information Technology: Disappointed Expectations, results from a study backed by the UK Department of Trade and Industry IT Awareness Programme. It was written by Eosys, a UK consultancy specialising in office automation.

The essential argument in the Butler Cox study is that senior managers no longer have to be convinced of the importance of IT to business: "Most businesses would certainly not survive without IT."

The problem is to get full value for money from their very considerable investment. The right approach, it seems, is to exploit IT as a business tool to improve the market position of the organisation and to ensure that IT strategies are closely linked to business objectives.

But the job of implementing the IT strategy falls normally on the information systems department, Butler Cox says, and that is not necessarily the right solution.

Managers in information systems departments have come a long way in the past few years. A decade ago, data processing managers complained, justifiably Butler Cox argues, that their influence was limited by too low a reporting level: "The position of the information systems function has moved steadily up the hierarchy in organisational charts over the past 10 years."

Information technology expenditure

Industry sector	Average % of turnover
Manufacturing	
—Food and allied	1.26
—Engineering (including cars, electrical, electronics, etc)	1.31
—Other (including chemicals, oil, etc)	1.11
Finance	
—Banking	3.46
—Insurance	2.09
Retail and distribution	1.01
Public sector (utilities and local government)	1.08
Average for all sectors	1.67

Source: Butler Cox

Some 20-25 per cent of data processing managers now report directly to the chief executive, while a further 30 per cent report to the financial director.

Despite this enhanced status, information systems departments are not well regarded by top management.

Butler Cox says: "Less than a third of the senior managers in our survey were fully satisfied with the performance of their systems departments. Well over half were satisfied with the performance in some respects only, and nearly one in ten was not satisfied at all."

"The most common complaint is that of late delivery of information, and responsiveness to user needs comes a close second."

Information systems departments, in their turn, feel remote from top management and from corporate strategy.

So it is hardly surprising, as other surveys have shown, that management feels too often that its systems department does not identify fully with the business objectives of the company.

Many companies, nevertheless, have made a sustained and successful attempt to use IT imaginatively as part of their business strategy.

The report gives a series of case studies including:

- The UK-based textile and carpet manufacturer, Accord, has developed electronic links to its distributors. These major customers have been provided with a computer-based carpet ordering system. This allows the manufacturer to monitor and control stock better, and retail outlets to perform additional administrative tasks on the computer and the customer to have a confirmed delivery date.
- Akzo, the Dutch chemicals company, has produced a personal computer-based information system for sale to car body repair shops. Through Akzo supplied terminals, the repair shop inputs data about the original colour of the car, its age, condition and so on. The printout describes the colour the car should be resprayed in terms of Akzo paint numbers. The company thinks it will be two years before its competitors catch up.
- General Motors of the US installed interactive videodisc players on its dealer's premises to train service engineers and to act as a salesroom aid. Over 9,600 dealers bought or leased the package.

There have, however, been failures. Federal Express, an American courier, developed "Zapmail," an electronic delivery service. It cost $300m to produce but was closed recently after heavy losses. Butler Cox notes: "Observers believe, as does DHL, the company's major rival, that such a service is necessary and inevitable." Zapmail seems simply to have been a service ahead of its time.

The Eosys study looked specifically at top management's use of information technology. It concludes that these top executives have a clear idea of what they want, but that they are not getting it at present.

They want, for example, a database of contacts, conference calls throughout the company worldwide, up-to-date information on progress on major projects, access to summary financial and manpower figures (just before meeting the executive concerned), modelling facilities to explore the effect of capital programme changes on tariffs and access to external information on companies.

In other words, information and communication at the press of a button. Why can their very reasonable requests not be met? Problems with people, Eosys concludes: "There is a considerable disillusionment with the ability of data processing departments to understand and deliver what is wanted reasonably quickly."

Nevertheless, the top managers interviewed by Eosys regarded IT as vital to their organisations: "Speed and responsiveness, cost savings and improved quality of service are the primary benefits sought" says the study.

Mr David Firnberg, managing director of Eosys, who conducted the interviews for the survey notes that although many respondents claimed IT progress was being driven by top management: "Many managements were less in the driving seat than they felt they ought to be."

The Butler Cox report costs £570, details 01-831 0101; the Eosys reports costs £25, details 02814 5123.

Dowty dials lower costs for telexes

DOWTY Information Systems (DIS), a major UK maker of dial-up modems (the devices that allow digital data to be sent over ordinary telephone lines), has launched a unit called Microtelex that gives access to the telex network via an IBM personal computer (PC) connected to it by cable, reports Geoffrey Charlish.

DIS of Newbury, Berkshire, says that for IBM PC users, Microtelex is much less costly than buying or renting a conventional telex terminal.

A multi-user version is also available. This allows a network of PCs to link into the telex network. Messages can be prepared at any terminal and then sent via the master terminal which is connected to the telex line.

Microtelex provides word processing, viewing of any incoming telexes, multi-addressing, re-try of engaged numbers and a store of 500 frequently used telex numbers.

Stock Exchange studies options for its financial information

THE London Stock Exchange is working on new plans to market its wealth of computerised financial data as a result of a four-month study of the potential demand for financial information among City and non-City organisations.

The Exchange is keeping details of its plans under wraps for the moment. It is known, however, that it is anxious to re-establish its credibility as a major vendor of financial information (tarnished a little when the Topic price distribution system failed several times after the "Big Bang" in October) and to improve its competitiveness with other significant information vendors.

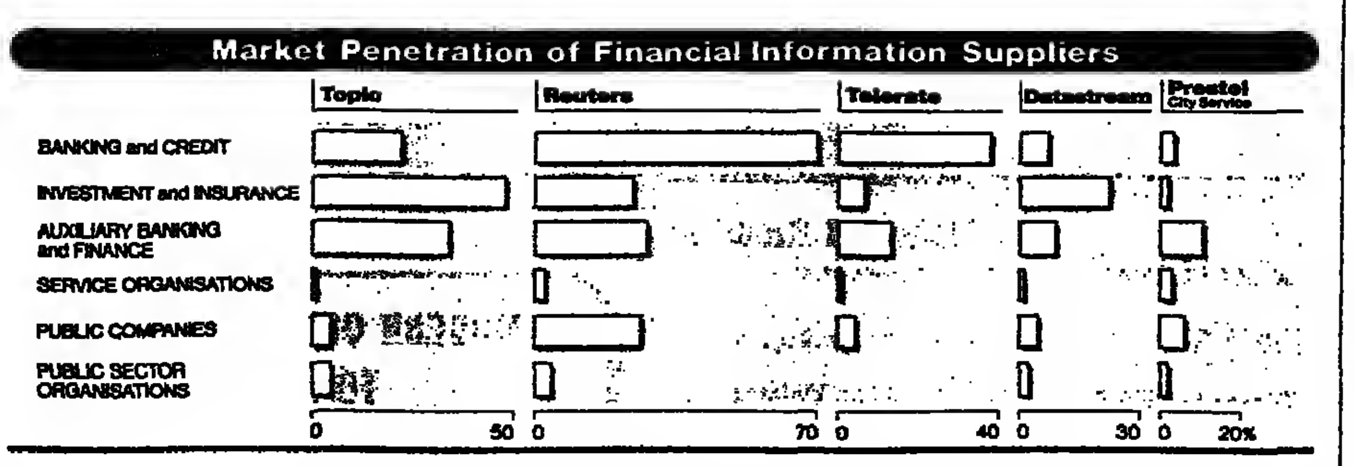
The study, carried out by Romtec, the Maidenhead, Berkshire based marketing consultancy, shows that each of the principal financial information service (FIS) vendors—Reuters and Telerate are examples—are successful only in a limited number of market segments. No FIS vendor is successful across the board.

The hitherto unpublished study shows that the Stock Exchange's own share price and company information distribution service, Topic, has been most successful in penetrating the investment and insurance community. It was used by almost 50 per cent of respondents to the survey in that category.

Indeed the use of Topic by those in investment and insurance outstrips that by registered dealers. Virtually every Stock Exchange member firm uses Topic either in viewdata form through Topic screens or by taking a direct digital feed into their own computer system, but there are over a thousand registered dealers who are not Stock Exchange members and who do not use Topic.

Reuters, the world's leading financial information services vendor, is used by over 70 per cent of organisations in the banking and credit sector and by more than a quarter of the organisation in investment and insurance, dealing and public companies. It has comparatively little penetration of the service or public sectors, however.

Prestel City Service, the "poor man's Topic" is little used by companies in any of the business sectors considered by the survey, with the exception of the dealing sector where it is used by many of the small registered dealing companies which find the price of Topic beyond them.



Some 37 per cent of licensed dealers who do not at present use any computerised information services indicated that they would do so in future.

On balance, the study did not identify many hitherto untapped selling points. It showed, on the other hand, that companies already using computer-based services would be looking for additional types of financial information over the next three years.

In banking and credit, for example, although 90 per cent of companies already use computer-based services and the remaining 10 per cent have no intention of starting with them, almost 50 per cent of the companies canvassed would be looking for additional information sources in the future.

This sector is a heavy user of information about exchange rates, bank rates, gilts and national and international company news, but is comparatively uninterested in options and fund management data.

The public sector, on the other hand is chiefly interested in UK equities, gilts and currency rates. Only 20 per cent of this sample said they would be looking for additional sources of information.

Overall, the survey shows that 45 per cent of City organisation will require additional types of financial information over the next three years.

Quick-thinking chip from Bell Northern

GALLIUM ARSENIDE "chips" that can multiply a pair of four-digit numbers in one nanosecond (one thousand millionth of a second) have been developed by Bell Northern Research (BNR), the Canada-based company owned jointly by Northern Telecom (70 per cent) and Bell Canada (30 per cent).

Gallium arsenide allows faster switching than silicon and also consumes less power. BNR thinks the new chip, five to 10 times faster than silicon equivalents, will soon become necessary in telecommunications systems because these will have to handle several billion bits of information per second.

THE PROPERTY MARKET By PAUL CHEESERIGHT

Norwich Union steps up its investment

Insurance groups remain a key source of funds for big developments but their approach recently has been more cautious

THERE isn't much in the market which doesn't come across our desks, said Martin Olley, the chief estates manager of Norwich Union. It was e simple acknowledgement that the insurance group is one of the biggest players in the national property game.

Insurance companies are the nation's biggest institutional holders of property and the Norwich is one of the biggest property-owning insurance companies with holdings worth £2.25bn. It is topped only by the Prudential, and Legal and General.

During a period when institutions have been taking a more caotious view of the sector generallly, preferring the returns from equities and gilt-edged stock, the Norwich has been increasing its level of investment. Mr Olley has been riding over the industry cycle.

"Other people have been holding back for the past two or three years—we thought it was a good time to invest." Three years ago the Norwich invested just under £100m in property. This year the allocation of new money is £250m, or 26 per cent of the new money the Norwich has available for investment.

This ability to buck the trend of investment springs partly from the flow of funds that run into the Norwich—£3m a day—which itself forces the search for a place to put them. And property is considered as the classie hedge against inflation, not that that hedge has been so necessary in recent years.

A further factor is that the Norwich can afford to take a long view. It is looking for returns over 20 years. Tomorrow does not worry it too much. "If you take a 20-year view, you can't keep stopping and starting—yon have to keep going," said Mr Olley.

But, although the Norwich has to some extent defied the fashion, the pattern of its portfolio is not far different from the institutional norm worked out by the Investment Property Datahank (IPD) after an analysis of the holdings of half the institutions with portfolios worth more than £400m.

IPD, sponsored by six chartered surveying companies, found thet the average institutional portfolio was 49.9 per cent composed of offices, 35.3 per cent of retail and 14.8 per cent of industrial property.

The Norwich diverges from this largely because its indnstrial holdings are under 3 per cent, thus allowing the offices element to go np to 59 per cent and the retail to 38 per cent. It is e loose division though as offices end retail property can be on the same site.

Bot like other institutions, the Norwich favours the big—"large developmeots and large ready-mades," as Mr Olley put it. Partly this arises from the sheer weight of funds et its disposal, partly it is because it sees better returns from the large than the small.

In the IDB example, it was found that properties valued at less than £500,000 accounted for just 3.5 per cent of total institutiooal investments and that the majority of investments were between £1m and £5m, with 5.3 per cent of the data base taken up by five properties each valued at over £40m. For the Norwich, the minimum investment funding is £2m.

And the fundings are becoming larger. Five years ago the largest investment on the books was the Basildon shopping centre at £50m. Then Ropemaker Place came up in the City of London as the Norwich indulged its taste for large office buildings—that was £75m. Now there is the shopping development planned for the Bentalls site at Kingston which takes up £110m.

"We need to protect the shopping centres we've got. We support town centre shopping as a way of protecting against inner city decay. In order to encourage this local authorities should be getting their acts together"—Martin Olley.

In all its developments the Norwich is looking for 7 per cent rental growth a year and a 7 per cent capital growth a year over 20 years. The group is doing its valuations for the year now and expects to achieve that figure in 1986.

This 7 per cent figure is high judged against what institutional property investment has on average achieved this decade. According to IPD average, annual rental growth for all properties between 1979 and 1985 was 5.4 per cent and only retail went above the Norwich criterion at 7.4 per cent. Similarly the average capital growth for all properties was 2.26 per cent a year, while for retail alone it was 7.7 per cent.

Because of its long view, however, failure to reach the 7 per cent target does not necessarily mean selling. Indeed the Norwich is cautious of disposals although it acknowledges that is necessary to do more trading than in the past.

The IDB has noticed an increase in institutional selling of property down two paths: "first the wish to rationalise management of portfolios by selling smaller buildings; second the quest to raise funds by disposing of better quality office schemes in London."

The Norwich does not quite fit the pattern. "We wouldn't get rid of a property if it was just producing 5 per cent for two or three years," Mr Olley said. But it has been selling smaller properties and revenue this year from sales could be around £5m. Its last major sale was a City of London office building in Finsbury Square to the Bank of Nova Scotia and that would not have taken place had it not been a difficult period for lettings. At that time, two years ago, the Norwich was also trying to let buildings in Fenchurch Street, Liverpool Street and Moorgate. The bank did not want to let, but it would buy.

Victoria Plaza in London's West End: a £45m investment by the Norwich whose policy is to put funds into large-scale developments

The main focus of the Norwich's involvement in the offices sector has been London and looks as if it could remain so. "We need to proceed. We've not given up," said Mr Olley. But with the rapid building expansion in the City there is now, he said, a need to deal with caution.

"Soma of the puff will go oot of rents. If you let in Holborn at £30 a square foot, you're not likely to get £40 at the first rent review. There'll be an increase but it won't be so dramatic," he said.

By contrast, the Norwich drive into retail property has been much more widely spread. Apart from Bentalls it is currently doing schemes at Hereford, Stevenage, Buxton and Mitcham.

It is at this point that a second element of caution creeps into Mr Olley's views. The extent of the Norwich's investment in the retail sector, like that of other major institutional investors, gives it a vested interest to protect.

The Norwich has concentrated on town centre shopping. "Retail has been very good over the years," commented Mr Olley. "There's still a strong demand in good town centres. We've seen over 10 per cent rental growth a year over 10 years (so returns have been higher than the institutional everage). If we were to see a spate of out-of-town centres the situatioo would be different."

So there is no doubt where the Norwich stands in the in-town and ont-of-town shopping debate. "We mustn't sit back and do nothing to existing centres and let out-of-town schemes steal in." Already the Norwich has ooticed that, in certain towns where investment has been contemplated and where there is also an out-of-town project being considered, key possible tenants with whom the Norwich had been talking have decided to look elsewhere.

"If the authorities let the lid off and allow a lot of these out-of-town shopping centres to he built then I think that millions of pounds will be knocked off bidding prices for inner city schemes," Mr Olley warned. So far the Norwich has not changed its policy of inner town investment, but it has started lobbying against the grant of planning permission for large shopping schemes outside towns—the sort of scheme, indeed, which has become well-known through Mr Cameron Hall's Metrocentre at Gateshead.

But there is another point. If inner town developments are to go ahead, Mr Olley said, then the local planning authorities have to provide better access to the town centres.

City of London Property

The Financial Times proposes to publish the above survey on:
Friday February 6 1987
Copy date: Tuesday January 28 1987

For further information on this survey please ring or write to:
Gerrard Rudd, 01-248 8000
The Financial Times Limited,
Reg. Office: Bracken House,
10 Cannon Street London EC4P 4BY.
Registered in England Number 227590.

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

Company Notices

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

Incorporated in the Republic of South Africa

GOLD MINING COMPANIES' DIVIDENDS

The following interim dividends have been declared in respect of the financial year ending 30 June 1987

Companies	Dividend Number	RSA Cents per share
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited Registration Number 01/00251/06	103	750
Elsburg Gold Mining Company Limited Registration Number 05/10726/06	26	10.4
Western Areas Gold Mining Company Limited Registration Number 59/03308/06	42	16

Last date for registration ... 9 January 1987
Registers close (dates inclusive) from ... 10 January 1987 to ... 16 January 1987
Currency conversion date (for payments from London) ... 19 January 1987
Date of payment ... 30 January 1987

These dividends are payable subject to the customary conditions which may be inspected at or obtained from the companies' Johannesburg Office or from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

Holders of share warrants to bearer issued by The Randfontein Estates Gold Mining Company, Witwatersrand, Limited should attend to the terms of a notice to be published by the London Secretaries on 20 January 1987.

By order of the Boards

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED
Secretaries
per: D. J. Barratt

Head Office and Registered Office:
Consolidated Building
Fox and Harrison Streets
Johannesburg 2001
P.O. Box 590, Johannesburg

18 December 1986

Crédit Foncier de France

ECU denominated Floating Rate Notes due 1995 resulting from the exercise of Warrants attached to US$ 200,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the Notes notice is hereby given that for the interest period from December 22, 1986 to March 23, 1987 the Notes will carry an interest rate of 8⅛% per annum.

The interest payable on the relevant interest payment date, March 23, 1987 will be ECU 20.54 per ECU 1,000 principal amount.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE TO CREDITORS OF SPANJAARDS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act 1985, that a Meeting of the Creditors of the above mentioned Company will be held at Chaddesley House, 56 Manchester Road, Burnley, Lancs., on Tuesday 23rd December 1986 at 10.30 o'clock in the forenoon, for the purposes mentioned in Sections 589 and 590 of the said Act.

By Order of the Board.
G. M. TAYLOR.
Secretary.

15th December 1986.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of (i) The Notice of Resolutions at the 40th Ordinary General Meeting of Shareholders of Common Stock of the Company held on 19th December, 1986, and (ii) The 40th Business Report, for the annual period ended 30th September, 1986, are now available to EDR Holders upon application to the Depositary and the Depositary's Agent The Bank of Tokyo (Luxembourg) S.A., Luxembourg.

BANK OF TOKYO INTERNATIONAL LIMITED
(London Depositary).

19th December, 1986.

Contracts & Tenders

Nottinghamshire County Council

Superannuation Fund

Investment management organisations are invited to tender for the management of part of the fund. It is expected that two managers will be appointed from 1 April 1987 each responsible for approximately £100m.

Further information and tender documents may be obtained from the County Treasurer, Nottinghamshire County Council at County Hall. Please quote ref: IL1.

Nottinghamshire County Council
County Hall · West Bridgford
Nottingham NG2 7QP

REMY FINANCE B.V.
FRF 300.000.000 GUARANTEED FLOATING RATE NOTES DUE 1993

For the three months, December 4, 1986 to March 4, 1987, the rate of interest has been fixed at 8,9375 % P.A.

The interest due on March 4,1987 against coupon nr 1 will be FRF 223,44 and has been computed on the actual number of days elapsed (90) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

PEGGOLD OVERSEAS LIMITED

Peggold Overseas Limited hereby gives notice to the holders of the [illegible] Secured Bonds due 1993 that Morgan Guaranty Trust Company of New York, the Principal Depositary, has resigned. Pursuant to clause 14(a) of the Paying and Exchange Agency Agreement, Peggold Overseas Limited has appointed Kredietbank S.A. Luxembourgeoise, the Luxembourg Paying Agent, as Principal Depositary under the Paying and Exchange Agency Agreement.

Notices to P. S. International Bank, S.A. should be addressed as follows:
P. S. International Bank, S.A.
5, Avenue J. F. Pescatore,
P.O. Box 631,
L-2324 LUXEMBOURG.
Attn: JOHN M. CASSIN.

This appointment is valid as from the date of this notice.

KREDIETBANK S.A. Luxembourgeoise

Dated: December 15, 1986.

NOTICE
TO NOTEHOLDERS OF CAN$100,000,000 FEDERAL BUSINESS DEVELOPMENT BANK 9½% NOTES DUE SEPTEMBER 16, 1989

Please be advised the Exchange Date for this issue will be February 13, 1987

Legal Notices

No. 008418 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTERS OF
AETNA LIFE INSURANCE COMPANY LIMITED,
TYNDALL INSURANCE LIMITED
AND
THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 24th November 1986 presented to the High Court of Justice (Chancery Division) by AEtna Life Insurance Company Limited ("AETNA") for an order (a) sanctioning under section 49 of the Insurance Companies Act 1982 a scheme ("the Scheme") providing for the transfer to AEtna of the long term insurance business of Tyndall Assurance Limited (b) making ancillary provision under section 50 of the said Act for implementing the Scheme, and (c) dissolving Tyndall without winding up.

Copies of the said Petition, the Scheme, and a report by an independent actuary in pursuance of the said section 49 may be inspected at each of the offices of (AEtna and) Tyndall whose addresses are specified in the Schedule hereto during normal business hours for a period of 21 days from the appearance of this notice.

The said Petition is directed to be heard before the Hon. Mr. Justice at the Royal Courts of Justice, Strand, London, on . Any person (including any employee of AEtna or Tyndall) who claims that he or she would be adversely affected by the Scheme may appear at the time of hearing in person or by Counsel.

Any person who intends so to appear, and any policyholder of AEtna or Tyndall who dissents from the Scheme but does not intend so to appear should give not less than two clear days' prior notice in writing of such intention or dissent, and of the reasons therefor, to the undermentioned Solicitor.

Copies of the documents specified above will be furnished by such Solicitor to any person requiring them prior to the making of an order sanctioning the Scheme on payment of the prescribed charges therefor.

Dated 19th December 1986.
PETER BENNETT & CO.,
48 Queen Square,
Bristol BS1 4LY.

THE SCHEDULE
(Addresses for inspecting documents)
401 St. John Street,
London EC1V 4QE.
3rd Floor, Imperial House,
15-19 Kingsway,
London WC2 6UN.
2nd Floor, King William House,
13 Queen Square,
Bristol BS1 4NT.
Saxon House,
Heritage Gate,
Derby D21 1NL.
8th Floor, Edgbaston House,
3 Duchess Place,
Birmingham B16 8NH.
2nd Floor, St. George House,
Great George Street,
Leeds LS1 3DL.
1st Floor, Clarence House,
Clarence Street,
Manchester M2 4DW.
All the above addresses are AEtna offices.

Company Notices

NOTICE OF EIGHTH PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

Issue of US$ 100,000,000 13% Notes due 1992 with 100,000 Warrants to subscribe 12¾% Notes due 1992

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, notice is hereby given that as a result of exercise of Warrants, Notes for an additional aggregate principal amount of US$ 5,000,000 will be redeemable on January 20, 1987 at 101 per cent. of their principal amount, together with accrued interest (i.e. US$ 631.94 per denomination of US$ 5,000) from January 31,1986 to the date of redemption.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

00048	00438	02093	03059	03275	05588	06483	07001	08445	09979	10316	12008	15858	16116	16350	17162	17778
00050	00439	02096	03062	03276	05589	06484	07063	08446	10561	10820	12011	15860	16118	16357	17164	17780
00052	00442	02198	03063	03277	05590	06485	07072	08447	10562	10822	12012	15861	16120	16359	17168	17783
00053	00444	02199	03071	03377	05591	06486	07147	08448	10566	10823	12013	15863	16124	16361	17169	17784
00054	00449	02200	03073	03379	05593	06489	07180	08450	10566	10824	12014	15869	16128	16362	17172	17785
00057	00451	02369	03080	03386	05596	06493	07232	08541	10567	10825	12022	15870	16134	16363	17174	17787
00063	00453	02370	03083	03443	05603	06494	07233	08544	10568	10826	12239	15871	16135	16364	17179	17797
00065	00456	02374	03084	03447	05604	06497	07234	08577	10569	10827	12243	15873	16136	16365	17183	17798
00072	00457	02378	03085	03448	05606	06499	07238	08578	10570	10829	12247	15875	16137	16369	17184	17799
00080	00460	02380	03088	03463	05609	06500	07273	08582	10578	10831	12248	15876	16138	16414	17186	17893
00081	00461	02381	03090	03655	05612	06502	07490	08584	10579	10832	12249	15878	16139	16416	17188	17894
00082	00464	02384	03092	03657	05613	06508	07491	08585	10581	10833	12252	15880	16140	16421	17190	17896
00084	00465	02385	03094	03658	05615	06509	07498	08587	10583	10835	12253	15882	16146	16473	17192	17899
00085	00470	02387	03100	03661	05617	06596	07500	08588	10584	10836	12254	15883	16150	16474	17195	17900
00087	00475	02389	03102	03662	05620	06607	07501	08589	10585	10838	12258	15886	16257	16475	17197	17901
00088	00482	02391	03103	03717	05623	06608	07633	08690	10586	10840	12261	15887	16259	16481	17199	17903
00089	00484	02393	03106	03718	05626	06609	07636	08698	10588	10841	12262	15891	16266	16483	17200	17904
00095	00487	02396	03117	03888	05891	06613	07637	08699	10590	10844	12265	15894	16267	16485	17202	17905
00097	00488	02397	03118	03889	05895	06614	07641	08703	10592	10849	12324	15895	16268	16488	17203	17906
00099	00490	02398	03119	03891	05897	06616	07642	08704	10594	10850	12325	15897	16271	16489	17206	17907
[illegible]																

Notes surrendered for redemption must have coupon due January 31, 1987 and subsequent attached. Interest will cease to accrue on the above drawn Notes as from January 20, 1987.
Amount remaining outstanding: US$ 4,000,000

Luxembourg, December 19, 1986

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE OF REDEMPTION

European Coal and Steel Community

7% 16 Year Bonds Due January 15, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Paying Agency Agreement dated as of December 15, 1972 by and between the European Coal and Steel Community and The Chase Manhattan Bank (National Association), as American Paying Agent, and the European Paying Agents, $[illegible] principal amount of the above Bonds will be redeemed and prepaid on January 15, 1987 at the principal amount thereof together with interest accrued to the redemption date.

The serial numbers of the coupon Bonds to be redeemed are set forth below in groups from one number to another number, both inclusive, except such as shall have been previously called for redemption or otherwise retired:

1001 through 2000	4501 through 5000	7501 through 8500
9501 through 10000	10501 through 11000	11501 through 12000
20001 through 20500	21001 through 21500	22501 through 23000
25501 through 27500	28501 through 29500	

The serial number and principal amount of the registered Bond to be redeemed in part is as follows:

Serial Number	Amount to be Redeemed
[illegible]	$115,000

In case of partial redemption of a fully registered Bond, the American Paying Agent, as Authenticating Agent, will authenticate and deliver coupon Bonds or fully registered Bonds of authorized denominations in exchange for, and in aggregate principal amount equal to, the unredeemed portion of any fully registered Bond redeemed in part.

Interest on the above Bonds (or portions thereof) shall cease to accrue on the redemption date and on the date the redemption price will become due and payable on each of such Bonds (or portions thereof) called for redemption.

Payment of coupon Bonds to be redeemed will be made upon presentation and surrender thereof, together with all coupons, if any, maturing subsequent to the redemption date, at The Chase Manhattan Bank, N.A., Corporate Sinking Fund Operations, Box 2020, 1 New York Plaza, 14th Floor, New York, New York 10081 or, at the option of the holder, at Banca Commerciale Italiana S.p.A., Sede di Milano, 6 Piazza della Scala, Milan, Italy; S. G. Warburg & Co. Ltd., Paying Agency, 6th Floor, 1 Finsbury Avenue, London EC2M 2PA, England; Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg, Grand Duchy of Luxembourg; Banque de Paris et des Pays-Bas, 3 Rue d'Antin, Paris 2, France, the European Paying Agents.

Coupons which mature on, or have matured prior to, the redemption date should be detached and surrendered for payment in the usual manner.

EUROPEAN COAL AND STEEL COMMUNITY
By: THE CHASE MANHATTAN BANK, (NATIONAL ASSOCIATION)
American Paying Agent

Dated: December 18, 1986

iib
Italian International Bank Plc

US$45,000,000
(Representing the consolidation of US$30,000,000 and US$15,000,000 issued on June 16, 1986 and December 16, 1986 respectively and forming a single serie)
Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from December 16, 1986 to June 16, 1987 the Notes will carry an Interest Rate of 6⁵⁄₁₆% per annum and the Coupon Amount per US $ 10,000 will be US $319.13.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

ARAB BANKING CORPORATION (B.S.C.)
$US 150.000.000 FLOATING RATE NOTES DUE 2000

For the six months, December 8, 1986 to June 8, 1987, the rate of interest has been fixed at 6,1875 % P.A.

The interest due on June 8, 1986 against coupon nr 4 will be 312,81 and has been computed on the actual number of days elapsed (182) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

CAISSE NATIONALE DES TELECOMMUNICATIONS
Floating Rate Note Issue of US$300,000,000 1985-2000

For the period of one month from 18 December 1986 to 20 January 1987 (33 days) the notes will bear interest rate of 6¹¹⁄₁₆ per cent per annum. The payable interest due 20 January 1987 for each nominal note of US$10,000 will be US$62.45.

Clubs

Company Announcements

Wendover Underwriting Agency Limited

has commenced trading following recent registration by the Council of Lloyd's as a Managing and Members Agency.

Directors:
R. G. H. Crump (Chairman)
J. N. E. Batcher, T. P. Johnson
T. D. G. Hall, J. R. Cackett
A. M. Sladen, J. R. Bovington
Secretary: R. A. Godfrey
Consultant: C. T. Seymour-Newton
Registered Office:
Plantation House
31/35 Fenchurch Street
London EC3M 3DX
Telephone: (01) 626 3504

NOTICE OF RATE OF INTEREST NBE FINANCE (CAYMAN) LIMITED

U.S.$40,000,000
GUARANTEED FLOATING RATE SERIAL NOTES DUE 1987

In accordance with the provisions of the Reference Agency Agreement between NBE Finance (Cayman) Ltd., and Citibank, N.A., dated June 15, 1982, notice is hereby given that the Rate of Interest per U.S.$2,000 has been fixed at 7¼% p.a. and that the Interest Payable on the relevant Interest Payment Date June 19, 1987, against Coupon No. 10 will be U.S.$75.63 and has been computed on the actual number of days elapsed (182) divided by 360.

By CITIBANK, N.A.
CSSI Dept.
December 19, 1986. Reference Agent

ORANGE FREE STATE INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 05/05715/06

Amendments to Articles of Association

Article 9 of the Company's Articles of Association relating to the payment of commission for subscription of shares, provides that such commission may be paid in shares. This provision is, however, not permitted in terms of the requirements of The Johannesburg Stock Exchange and it is therefore necessary to delete the relevant portion of the Article. For this purpose it is necessary to convene a general meeting of the Company, following the conclusion of the annual general meeting scheduled for 29th January 1987, to consider the passing of the necessary special resolution.

At the same time the opportunity will be taken to amend two other Articles, namely Nos. 48 and 63.

Article 48 provides that notices of general meetings of the Company must record that members are entitled to appoint proxies to attend, speak and vote at such meetings in their stead. However, Article 61 provides that proxies are only entitled to vote on a poll and it is therefore necessary to amend Article 48 so as to conform with the provisions of Article 61.

Article 63 specifies, by reference to Article 61, the persons who are entitled to appoint proxies to attend meetings of the Company on their behalf. Article 63 however omits reference to one category of such persons and therefore it is necessary that they should be included.

The proposed special resolution, the effect of which is apparent from the text thereof, is contained in the following notice of general meeting.

Notice of General Meeting

Notice is hereby given that a general meeting of members of Orange Free State Investments Limited will be held at 44 Main Street, Johannesburg, on Thursday, 29th January 1987, at 11h00 or immediately following the conclusion of the annual general meeting convened for 10h45 on that day, whichever is the later, for the purpose of considering and, if deemed fit, of passing, with or without modification, the following resolution as a special resolution:

"That the following Articles of the Company's Articles of Association are hereby amended by the deletion of the words in square brackets and the insertion of the words underlined:

9. Commission for subscription of shares
Subject to the provisions of the Statutes, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, and such commission may be paid or satisfied [illegible]

48. Statement in notice and on proxy forms
In every notice calling a general meeting of the Company and upon the face of every proxy form issued at the expense of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote thereat is entitled to appoint one or more persons as his proxy to attend, speak and, on a poll, vote in his stead and that a proxy need not be a member of the Company.

63. Proxies
Any person referred to in paragraphs (a), [and] (b) and (c) of Article 61 of these presents may appoint one or more persons, whether a member(s) or not, to act as his proxy/proxies at any meeting of the Company or any adjournment thereof. [illegible]"

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the regulations of the Company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the Company.

The head office and United Kingdom transfer registers and registers of members of the Company will be closed from Saturday, 24th January to Thursday, 29th January 1987, both days inclusive, for the purpose of determining those members entitled to attend and vote at the meeting.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per C. R. Bull
Senior Divisional Secretary
18th December 1986

Registered Office
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

FREE STATE CONSOLIDATED GOLD MINES LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 05/28210/06

Increase in Borrowing Powers

Following the merger of operations previously conducted by four gold mining companies, the company became the holding company for a substantial group of companies. Article 42 of the company's Articles of Association provides that borrowings of the company and its subsidiaries shall not, without the previous sanction of an ordinary resolution of the company, exceed R35 million and, as the borrowing requirements of the group far exceed this amount, it is necessary that this limitation on borrowings be removed. It is therefore proposed to convene a general meeting at which members will be asked to consider the passing of a special resolution to substitute a new Article 42 which will conform with The Johannesburg Stock Exchange's requirements and permit the directors to borrow or raise such sums as they deem fit. In terms of the requirements of that Exchange, the company is obliged to make timeous and full disclosure of all its interest-bearing borrowings in its published quarterly and annual reports. The proposed special resolution, the effect of which is apparent from the text thereof, is contained in the following notice of general meeting.

Notice of General Meeting

Notice is hereby given that a general meeting of members of Free State Consolidated Gold Mines Limited will be held at 44 Main Street, Johannesburg, on Thursday, 29th January 1987, at 10h30 or immediately following the conclusion of the annual general meeting convened for 10h15 on that day, whichever is the later, for the purpose of considering and, if deemed fit, of passing, with or without modification, the following resolution as a special resolution:

"That the Articles of Association of the company are hereby amended by the deletion therefrom of the existing Article 42 and the substitution in place thereof of the following new Article 42:
(a) Subject to the provisions of sub-article (b) hereof, the directors may borrow or raise from time to time for such purposes of the Company such sums as they deem fit, provided that if the Company is a subsidiary company of a listed holding company, any sum so borrowed shall not exceed the amount authorised by its listed holding company;
(b) in relation to the provision contained in sub-clause (a) above, no lender or other persons dealing with the Company shall be concerned to see or enquire whether the limit is observed in respect of any sum so borrowed by the Company."

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the regulations of the company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from Saturday, 24th January to Thursday, 29th January 1987, both days inclusive, for the purpose of determining those members entitled to attend and vote at the meeting.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per C. R. Bull
Senior Divisional Secretary
18th December 1986

Registered Office
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

FREE STATE CONSOLIDATED GOLD MINES LIMITED
Registration No. 05/28210/06
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 05/05715/06
WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24464/06

(All of which are incorporated in the Republic of South Africa)

ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the annual general meetings of members of the undermentioned companies will be held at 44 Main Street, Johannesburg, on Thursday, January 29, 1987, at the times stated below, in each case for the following business:
1. To receive and consider the annual financial statements of the company for the financial year ended September 30, 1986;
2. To elect directors in accordance with the provisions of the company's articles of association.

Name of Company	Time
Welkom Gold Holdings Limited	10h00
Free State Consolidated Gold Mines Limited	10h15
Orange Free State Investments Limited	10h45

Holders of share warrants to bearer of Free State Consolidated Gold Mines Limited and Orange Free State Investments Limited, who wish to attend in person or by proxy or to vote at the respective annual general meetings of those companies must comply with the regulations of such company under which share warrants to bearer are issued.

Members entitled to attend and vote at the meetings may appoint one or more proxies to attend, speak and, on a poll, vote in their stead. A proxy need not be a member of a company.

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. Bull
Senior Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051
Marshalltown 2107)
Johannesburg

Registered Offices
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)

December 19, 1986

aac

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

Music

BRUSSELS

Palais des Beaux Arts: National Opera Symphony Orchestra. Mahler (Thur). (512 5045).

LONDON

Chapelle Royale, Paris and Ghent's Collegium Vocale: Mozart Requiem and Haydn's Lord Nelson Mass (Mon). Théâtre Mogador (4874 5724).

Nouvel Orchestre Philharmonique conducted by Marek Janowski with the Radio France Choir: Die Fledermaus (Tue). Salle Pleyel (4561 0630).

Christmas Service of the Paris Gregorian Choir conducted by Francois Polgar: First Vespers (5 pm), Matins (8 pm). Midnight Mass (9.45 pm). (Wed); Mass of the Day (11 am), Second Vespers (5 pm). (Thur). Val de Grace Chapel, 277 bis, Rue Saint-Jacques. Metro Port Royal. Free entry.

ITALY

Venice: Church of S. Maria Della Pieta: Venice Chamber Orchestra playing Vivaldi's Magnificat and Gloria (Tue).

Bologna: Chiesa di S. Domenico: Richard Chailly conducts Rossini's Petite Messe Solonnelle sung by soprano Susan Dunn, mezzosoprano Lucia Valentini-Terrani, tenor Bruno Beccaria and Michele Pertusi, bass (Tue). (52 99 99).

NETHERLANDS

Amsterdam, Concertgebouw. Bernard Haitink conducting the Concertgebouw Orchestra: Mahler (Thur, matinee). Recital Hall: Children's concert (Tue, 2 matinees). (71 83 45).

Rotterdam, De Doelen. Choral concert by Deo Cantamus and Song of Praise conducted by Arie Pronk (Mon, Tue). Christmas concert by the Greater Rotterdam Choir, with Brouwer and Everhard Zwart, organ (Tue, matinee). (414 39 11).

Utrecht, Vredenburg. Handel's Messiah performed by the Utrecht Oratorio Society and solists, with L'Estro Armonico orchestra conducted by Johan van de Camp (Tue). (31 45 44).

The Hague, Congresgebouw. The Netherlands Philharmonic Chamber Ensemble led by Istvan Párkányi, violin, with Nancy Argenta, soprano: Corelli, Bach, Vivaldi (Mon). (54 80 00).

Amsterdam, Nieuwe Kerk. The traditional Christmas concert by candlelight, with the Cappella Amsterdam, Bernard Winsemius, organ, Erica Waardenburg, harp, and Herman van Kerkhoff, tenor: Bistier, Britten, Howells (Tue). (268 168).

TOKYO

Michio Kobayashi, harpsicord. Bach, Goldberg Variations. Tokyo Bunka Kaikan Recital Hall (Wed). (501 5638).

Japan Philharmonic Symphony Orchestra, conducted by Ervin Lukacs. Beethoven's ninth symphony. Tokyo Bunka Kaikan (Mon); Kosei Nenkin Hall. Shinjuku (Wed); Hibiya Hall (Thur) (234 5911; 980 6060).

NHK Symphony Orchestra Beethoven and Handel's Water Music conducted by Otmar Suitner (Mon, Tue, Wed, Thurs). NHK Hall (465 1780).

Suntory Hall, Akasaka. Handel's Messiah. Orchestra and Choir of Rikkyo University. Conductor: Noboru Kaneko (Mon); Beethoven's 8th Symphony, and Bartok Concerto for Orchestra. Sophia University Orchestra conducted by Yasuhiko Shiozawa (Tue); Tokyo Philharmonic Orchestra, conducted by Tadaaki Otaka. Beethoven (Thur). The Suntory Hall is in the new Ark Hills complex in Akasaka. Convenient for most hotels and within walking distance of the Okura (505 1010).

Tokyo Symphony Orchestra , conducted by Kazuyoshi Akiyama. Combined choruses, Waseda. Tokyo Bunka Kaikan. (Wed). (362 6764; 980 6060).

Traditional Japanese music: Shakuhachi (bamboo flute). Recital by American master of the instrument. Studio 200. Seibu Dept. Store. Ikebukura (Mon). (981 0111, ext. 5328/9).

NEW YORK

Carnegie Hall: New York String Orchestra. Alexander Schneider conducting. All-Bach programme (Wed midnight). (247 7800).

Merkin Hall (Goodman House): Eileen Davis mezzosoprano recital with Thomas Grubb, piano. Ravel, Mozart, Brahms, Bizet (Mon); Seta Karakashian piano recital with Maro Partamian mezzosoprano, Tigran Makarian cello. Milhaud, Ravel, Alkan, Brahms, Mussorgsky (Tue). 67th w. of Broadway (362 8719).

WASHINGTON

Concert Hall: The Waverly Consort. The Christmas Story from mediaeval sources directed by Michael Jaffee (Mon); Messiah Sing-Along (Tue). Kennedy Center (254 3770).

Opera and Ballet

VIENNA

Staatsoper, (51444/2655): A Summer Night's Dream conducted by Richter; La Boheme conducted by Makkerras with Freni, Wise, Dvorsky, Hornik, Helm; Die Fledermaus conducted by Neuhold with Ghazarian, Dernesch, Lind.

Volksoper (51 444/2655): Madame Pompadour conducted by Bibl; Der Opernball conducted by Boncompagni; Die Fledermaus conducted by Bibl.

LONDON

Royal Opera House, Covent Garden: Royal Ballet in The Nutcracker.

Royal Festival Hall: London Festival Ballet in The Nutcracker.

Sadler's Wells, Rosebery Avenue: Sadler's Wells Royal Ballet opens a season with The Snow Queen on Tuesday.

PARIS

Offenbach Gala and dinner with Orchestre National conducted by Georges Prêtre and Paris Opéra Choir and Ballet from 8.30pm until midnight. Paris Opéra (Wed) (4266 5022).

NEW YORK

Metropolitan Opera (Opera House): The week features Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos; La Bohème conducted by Julius Rudel in Franco Zeffirelli's production with Leona Mitchell, Barbara Daniels and Brian Schexnayder; Fidelio conducted by Klaus Tennstedt in Otto Schenk's production with Hildegard Behrens and Robert Schunk; and Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The company's 85th season continues with five weeks of The Nutcracker. Lincoln Center (870 5570).

Next Wave Festival (Brooklyn Academy of Music): Philip Glass and Robert Wilson's collaboration, the Civil warg, is presented in the festival with the American premiere of Act V. Roma Section). Ends Dec 30 (718 636 4100).

WASHINGTON

Washington Opera (Terrace): The second part of the company's season at the Terrace Theatre features Don Pasqale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. The 1982 English-language production of The Abduction from the Seraglio returns conducted by Arnold Ostman with Joyce Guyer as Constanze, David Kuebler as Belmonte and Kenneth Cox as Osmin. Kennedy Center (254 9895).

CHICAGO

Lyric Opera: Lofti Mansouri's 1981 production of The Merry Widow makes its holiday reappearance conducted by Baldo Podic with Maria Ewing in the title role, Alan Titus as Prince Danilo and Jerry Hadley as Camille de Rossillony (332 2244).

Exhibitions

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

NETHERLANDS

Laren, Singer Museum. Glass creations by Sybren Valkema. Ends Jan 18.

Groningen, Groninger Museum. The use of colour in modern European architecture from 1910 to the present. Ends Jan 25.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, *objets d'art* and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 20.

Barcelona, Georges Braque. A retrospective gathers 128 works – drawings, tapestries, sculptures and paintings from 1900 to his death in 1963. Ends Jan 25.

VIENNA

Gold and Power – Spain in the new world: To mark the 500th anniversary of the discovery of the Americas, this huge exhibition of treasures from the Museum of America in Madrid tells the story of the Spanish conquest. The collection, seen for the first time outside Spain, includes ornaments and utensils of indigenous Americans, beautiful Mexican mother of pearl pictures of the blood-and-thunder of the conquest, records of Jesuit missions in Paraguay and stunning gold statues and jewellery from a land mythologised as El Dorado. Vienna is the first stop for this exhibition, which will later travel to Cologne and Budapest. Kunstlerhaus. Ends Jan 25.

NEW YORK

Metropolitan Museum: 90 paintings from the and of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Anvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

American Pop Culture Images Today with works of 60 American artists the exhibition also features a live concert, videos, junk food corner and other aspects of the American pop culture since much has been grafted on to Japan's youth culture by now, the exhibition should reveal the extent to which the original has been changed for Japanese taste, i.e., japanised. La Foret Museum in Harajuku. (475 0411). Ends Jan 17.

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a *superb* central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Continued on Page 17

THE ARTS

Cinema/Nigel Andrews

Clint's assault course of clichés

Heartbreak Ridge directed by Clint Eastwood

Explorers directed by Joe Dante

Frog Dreaming directed by Brian Trenchard Smith

Ivan the Terrible directed by Sergei Eisenstein

Welcome to Camp Cliché. In the Marine training movie *Heartbreak Ridge* you are about to watch the brutal disciplinary process whereby a cast of multi-faceted American actors are broken down into Hollywood stereotypes. Each day from the moment of Gunnery Sergeant Clint Eastwood's ruthless rhyming wake-up cry—"Drop your e——s and grab your socks"—the trainees must be on full alert. They are about to be put through their cliché-building paces, according to the strict rules of the Eastwood Instruction Manual.

Day One. Line up the men outside the barracks, and make sure they are all present, correct and wearing their approved character labels. Every proper movie platoon must include at least one gormless hulk, preferably Swedish-American (Peter Koch), one jive-talking black (Mario Van Peebles), one Hispanic introvert (Ramon Franco) and one psychotic with a prison record (Mike Gomez). When they are all lined up, scream at them, using four-letter words.

Day Two. Square up to the battalion leader (Everett McGill) and make sure he is a cliché too. He should ideally be a martinet with a heart full head full of irrelevant red tape. If played by McGill, he will also come with a pair of meanly smouldering eyes and bulging forehead that would make Cro-Magnon man think about plastic surgery.

Day Three. Take the men on a training run to make sure they do not lose their stereotypical qualities during strenuous exercise. The black must keep talking jive, the hulk must keep bulking and so on.

Day Four. Spend this in the privacy of your own room. Practise your lean, macho, whispering style of speech, based on that of Clint Eastwood. This is to achieve the effect of a "strong, silent man" without actually remaining silent. For an army film like *Heartbreak Ridge*, the voice can also be coarsened slightly, so that is sounds as if you have swallowed sandpaper while trying to impersonate a snake.

Day Five. Visit the old flame or ex-wife (Marsha Mason) who works as waitress in a bar in the local town. These scenes will show that though you are a tough nut when bawling out your men, you can be an old softie when it comes to the weaker sex. And for goodness' sake make sure the weaker sex is weaker. In a film promoting macho values, we cannot have any of that feminist nonsense.

Day Six. As the movie's action climax approaches, please ensure you have the full complement of stock characters primed and ready in Camp Cliché. Make certain you have not forgotten, for example, the ineffectual, bespectacled platoon leader from Officer Candidate School (Boyd Gaines) or the friendly old plug-ugly of a Master Sergeant (Arlen Dean Snyder) with whom you once served in Korea.

Day Seven. The big day has come. Go to war! Never mind that there are no wars to go to, Vietnam now being over. Invent a war or re-fight one. If necessary, re-take Grenada. There on that tiny Caribbean island, amid the smoke of a not too costly victory, you will be able to squeeze out a costive Eastwood-style grin and survey the large number of your men still left alive as walking clichés. They will soon be in readiness for *Heartbreak Ridge 2*. Dismiss the audience, give the men one month's leave and then prepare for sequel.

★

As gung-ho goes, *Heartbreak Ridge* goes at a fair lick; so long as you appreciate the assault course of old idioms and new and old idiocies you are charging through. By contrast *Explorers*, directed by Joe (*Gremlins*) Dante, has no discernible idea of where it is going at all. Paramount's ill-fated $20m sci-fi fantasy, made at the same time as *Back To The Future* and expected to be its big summer rival in 1985, appears in British cinemas eighteen months after it fell through a hole in the box-office charts in America. It has already come out on video in the UK, which is usually the kiss of oblivion. But some kindly soul clearly thought it deserved a belated Christmas flutter on our big screens.

The problem is that there are two different films here masquerading as one. For the first hour, three children gallivant around a California small town collecting ideas and bric-a-brac for a homemade spaceship. This is created out of old dustbins, car seats, goldfish bowls and the like and is powered by something called a "force bubble." The said bubble encapsulates the machine and carries it way, way up into space.

After this extended prologue, enacted by a trio of kiddywinks too undifferentiated to compel our interest, the film then goes completely bananas. An alien spaceship receives our voyagers into its friendly maw. Here they meet two space creatures who look and behave as if they have escaped from an accident in a muppet-breeding factory. The male alien is a sort of stand-up lizard with pot belly and berserk antennae, and he holds forth in a showbiz stream-of-consciousness culled from soaps and game-shows and old movies on American TV. (These being the only signals he has ever picked up from Earth). The female does Marilin Monroe impersonations, flutters her eyelashes and quotes lines from *Casablanca* or *All About Eve*.

This whole sequence is at once hilarious in itself and wildly out of key with the rest of the film. We did not go through such a prolonged mini-NASA preparation period merely in order to meet a couple of demented puppets high on Planet Earth junk culture. Nor, it seems, did American filmgoers: their absence closed the film in the States in about two weeks. *Explorers* has a cunning denouement, which shows there is more in common than we first thought between our three heroes and their space hosts, but it is too little and considerably too late.

★

Children, in a lean movie Christmas, might go instead to the Australian fantasy adventure *Frog Dreaming*. This concerns a boy (Henry Thomas of *ET*), a lake and something large and threatening that keeps rising out of it. Directed by Brian Trenchard Smith and written by Everett De Roche, who last week gave us the semi-certifiable *Link*, the film is refreshingly crafty and well-crafted. And unlike life in Camp Cliché, a platoon of good Australian character actors — Tony Barry, John Ewart, Dennis Miller — show that it is not necessary to loudhail one-dimensional ties and traits in order to impress their presence on our minds and memories.

★

Finally, for serious film buffs feeling engulfed by spaceships, frogs and Clint Eastwoods, there is *Ivan The Terrible*. The Russian Czar enjoys a special season at the Everyman Hampstead and would be most pleased if you could join him. Sergei Eisenstein directs and there is a brand new 35-mm print.

Clint Eastwood and Mario van Peebles in "Heartbreak Ridge"

A Penny for a Song/Barbican

Michael Coveney

It was not just the old guard of Rattigan, Coward and Fry that was swept aside by the advent of George Devine's Royal Court in 1956. Several promising new writers, none more promising than John Whiting, who had been championed by Peters Brook and Hall, did not conform to what the Court directors wished to produce or what Kenneth Tynan was prepared to advocate. Whiting returned to the theatre in Peter Hall's first Aldwych season with his version of *The Devils* but died soon after in 1963.

A Penny For a Song (1951) was also revived by the RSC in those early days in a revised version. The blind itinerant Edward Sterne, who visits a sleepy Dorset country house idly preparing for a Napoleonic invasion in 1804, was transformed into a bitter prophet of the futility and pain of war.

Beyond that, Howard Davies's languorous production is unlikely to add much weight to the small but still occasionally vociferous Whiting lobby that proclaims him an individual, under-rated voice. For all its surface good nature and sunniness, the play is a curious unsatisfactory mixture of Fry, Anouilh and Shaw that improves only when it degenerates into second-rate English identity farce.

The house is owned by Sir Timothy Bellboys who plans to outwit Boney by disguising himself as the Emperor and instructing the Frenchies to retreat. He is of course mistaken by the local Home Guard for Boney himself and is explosively cornered after descending a well, pinching a bag of biscuits and materialising in a huge red, gently settling balloon ("Oh, so you're back" is his wife's disinterested reaction).

T. C. Worsley echoed most snap judgments of the day by declaring *Penny* not so much a play as a series of charades. We now take a different view of dramatic form, but it remains difficult to relate the coded exchanges about love and belief to the idyllic style. There are two outsiders in the house: Edward, on his way to see the king about stopping the war, who is accompanied by a small boy guide destined for the Holy Land where he believes Jesus still lives; and Hallam Matthews, a worldly-wise cynic down from London, who wants peace but not silence.

They are unattached balm-carriers and catalysts, like a split version of Eliot's Uninvited Guest. And they dispute the affection of Bellboy's beautiful niece, Dorcas, who falls in love with Edward but finds philosophical, if not sensual, consolation with Hallam. There is little Mr Davies and his cast can do to energise these passages which have acquired a lumpen, old fashioned sententiousness.

Following Susan Tracy in *Heresies*, Rudi Davies as Dorcas gives the second exotic gymnastic RSC display of the week, banging upside down from the garden tree or addressing new arrivals from a crab-like contortionist angle somewhere between calves and pelvis. Stephen Moore in the Ronald Squire role never breaks sweat as Hallam, while Mick Ford conveys more pent-up anguish than his lines can justify.

The rest of the resident eccentrics reflect the dated Punch magazine view of English dottiness: Ian McNeice as Lamprett Bellboys has limited fun with the fire-fighting mission and his puffing red engine; Elizabeth Millbank is too vague as the masculine wife about to join an Amazon platoon in East Anglia; and John Shrapnel blusters amusingly as the duped local officer whose mock battle arrangements set off the alarm bell

A bad Barbican year will at least be remembered for Brian Cox's heroic trio of Danton, John Tarleton and now Bellboys. His hustling Celtic energy gives a fresh slant on the wonderful xenophobic character who has raised a private army to fight the barbarian at the gates.

Apart from that performance the production does not challenge the precious Whiting tone, in spite of Bob Crowley's sweeping white garden wall and riven, livid green garden tree in whose reliable boughs is ensconced the servile lookout (David Bradley).

Alastair Muir

Brian Cox

Young Apollo/Covent Garden

Clement Crisp

The current Royal Ballet triple bill has been re-ordered to accommodate the stage trickery of Wayne Eagling's *Beauty and the Beast*, which descent into the abyss is now placed first. Ballet-lovers can thus dine in more relaxed style before arriving at the Opera House to see the other works in the evening. My own feelings, after a second view of the programme on Wednesday night, is that it is preferable to turn up at the theatre by 9.45 pm and so also be spared the tedium of David Bintley's *Young Apollo*.

This has been amended for its current revival, with the role of the young god shared by three male dancers, a lessening of the choreography's technical burden which casts a poor light on the stamina of the Royal men. The ballet looks more than over like a decent homage to the Balanchine manner without the support of Balanchine matter. There is a chatter of steps, but nothing for the three heroes or the attendant female soloists makes any strong impression: the most interesting writing is for the god in the second scene (Mark Silver), who is involved with three Muses in a gloss upon Balanchine's *Apollo*, rather in the way that Gordon Crosse's score extends the style of Britten's opening section of the music.

There is no indecision about the development of MacMillan's *Baiser de la fee* which ends the evening on a welcome note of choreographic purpose. After the opening ballabile of the storm and the peasant jovialities of the village, the Mill scene takes us to the heart of the matter. The dances for the Fiancée and the Young Man are so fresh, so tenderly happy, that they must surely count among the joys of the repertory to perform. So they seemed in Philip Broomhead's easy, fluent statement of his solos, but I found Fiona Brockway too matter-of-fact, albeit wholly in command of the steps. Her role still rings with the presence of Lynn Seymour, even after 25 years, and I longed for Seymour's intense physical charm in that lovely moment when the girl extends her leg from among a group of her friends — it used to look like a flower opening — and in the touching hand-to-heart pose which ends the girl's solo with the gentlest declaration of love. Miss Brockway needs more fantasy. No such need with Fiona Chadwick's gleaming, dominating interpretation of the Fairy. Shining in technique and in temperament, this is dancing having a physical and emotional grandeur rare in the Royal Ballet at the moment.

The King and the Corpse

Martin Hoyle

One of the successes of last summer's "Not the RSC" festival at the Almeida, Islington, has returned for a Christmas season. These dramatised tales from a medieval Indian epic certainly increase the range of entertainment on offer, and, used to point moral lessons by both Buddhists and Hindus, may even restore a little religious reflection, albeit the wrong sort, to what is a period of all too fleshy indulgence.

Sean Baker comes forward from the seated semi-circle of seven players who are simply clad as Indians, to provide the narrative framework. The 70-minute performance comprises five stories. These are told by the demon-possessed corpse of a hanged man (moonlit silhouettes of tree and dangling cadaver on the back wall) whom Mr Baker's king has to carry laboriously to a mysterious wise man. The stories end with riddles which the king must answer correctly on pain of having his head explode into a thousand pieces. He does and it doesn't.

Slightly, sparely, stylised, the show is informal—rather too much on the first night—as witness the odd anticipated cue and verbal hiccup. Eddy Sayer's atmospheric percussion underlines the action which ranges from the ghoulish to the comic. Included is a variant on the time-honoured theme of transposed heads, noggins restored wrongly to decapitated bodies and the sad story of a romantic vow gone wrong, when a king and his son swear to marry the owners of two sets of female footprints, one imperious, one dainty.

After a quest in the forest of darkness (shapes grope and flounder under a large sheet) the men discover that the large feet are the princess's, the small ones her mother's. The king marries the girl, his son, more reluctantly, her mother. What is the exact relationship of the children born to both unions?

Hardly Christmas cracker stuff but Mr Baker and Tom Mannion, another of the Royal Shakespeare Company's bright particular stars, generate a great deal of charm. This quality is absent from Kate Littlewood's brusque performance—one wonders whether she has wandered in from the RSC's women's group; but Caroline Holdaway has a nice line in gormless humour. Tony Rohr is heaved about as a corpse whose vocal projection never falters, even upside-down. Tony Vogel is imposing in sinister or authoritative roles and Ruby Head's older woman as comic victim even anticipates W. S. Gilbert's elderly ugly lady.

Schnittke's Symphony/Festival Hall

Dominic Gill

IN THE final pages of Haydn's Farewell symphony the musicians leave the stage one by one until only a pair of violins remain. The Soviet composer Alfred Schnittke's first symphony, which was given its British premiere by the BBC Symphony Orchestra under Gennady Rozhdestvensky on Wednesday night, reverses the process: the players walk on to the stage at the start of the work one by one, playing as they go, and as their numbers increase a huge improvised cacophony builds up which is only silenced by the arrival of the conductor.

Haydn's gesture was political, a protest about living conditions at Prince Esterhazy's summer palace at Esterháza. Schnittke's is a musico-political gesture, which calls into question "the very existence of the symphony as a meaningful contemporary form." That is a preoccupation which takes us back a score of years and more: and in fact Schnittke's first symphony dates from the late 1960s (although for different political reasons it received its Moscow premiere only last year), and is in that sense very much a child of its time.

By the early 1960s many composers were chafing at the fashionable constraints of total serialism; and Schnittke's first "symphonic" essay — he prefers the description "structural collage" — is one of a number of quite explicit attempts by composers during that period to escape from what they felt to be an increasingly arid stylistic impasse. Schnitte has never been a cautious spirit, and his answer was characteristically grandoise: a huge orchestral canvas (quadruple woodwind with saxophones, 48 strings, six percussion groups including a rhythm section, two jazz soloists) in four movements, lasting together more than 80 minutes. It is a crazy, chaotic, exuberant construction: a whirlwind of free invention, full of surprises, whose very unpredictability grips the attention from first to last.

When the conductor has finally called the assembled players to order, the serious fun begins. Quotations are marshalled from every conceivable source; fragments of mediaeval music and Webern, Chopin and Stravinsky, flash past in dizzying cinematic sequence. At the climax of the first movement the finale of Beethoven's Fifth emerges, a moment of triumph dismissed almost as abruptly as it was welcomed. The second movement's "classical" scherzo is interleaved with a variety of Ivesian commentaries, and dissolved at its first formal climax by the intervention of a jazz pianist and violinist. As their night-club riff draws to its close, the wind players leave the stage to the strings alone—who propose the symphony's most original and coherent musical scene, a rather beautiful adagio, haunting in its dreamlike resonance, which ascends to the heights and disappears in a cloud of Ligeti-like micropolyphony.

The winds return from off-stage for the finale a kaleidoscope of stylistic offerings, dissonant and consonant, threatened now by the new arrival of deep organ tones. No "solution" is pretended; freedom only has been claimed, and the chains of serialism, at least, decisively snapped. The musicians eventually leave the stage one by one, as they had arrived, still playing; the lights go down to a distant echo of Haydn's Farewell; and suddenly—a final and brilliantly effective *coup de theatre*—in a blaze of light the players return again, to deliver one last chord and take their bow. The wheel has turned full circle; the cycle of discovery and rediscovery must begin again.

First big Peake retrospective

The first big retrospective celebrating the life and work of Mervyn Peake, illustrator, artist, novelist and poet who died in 1968, will open in the main foyer of the Royal Festival Hall from February 16 until April 12.

William Stephenson/Wigmore Hall

David Murray

Stephenson, who is 24, won this year's Terence Judd Award for young pianists, from which followed Wednesday's recital. I cannot believe that he did himself justice; I even wondered whether he was using some nerve-soother that also numbed the sensibility. At any rate, his opening Beethoven sonata—the gracious A-flat, op. 26—was dully correct, secure, efficient, without a breath of saving imagination. Touches of karate-fortissimo in the "Marcia funebre" (there were to be much more violent chops in Liszt later) were less painful than all that well-tutored blandness.

Hopes that Beethoven perhaps over-owed him were extinguished by his Debussy preludes—six from Book 2, not one of them informed by any particular atmosphere or feeling. He did quite a lot of the right things; but with no pretence of spontaneity, nor any knack for covering joins between seams, the pieces remained flat exercises. Any one of them needs at least three times the range of keyboard colour that he offered: a budget pianola roll could have captured his simple palette completely.

Seams grew more and more obtrusive in his Liszt "La vallée d'Obermann" came repeatedly to a near-stop (before finally crashing over the top in the climactic pages), and its obsessive tune never acquired the essential new expressive tints. The Petrarch Sonnet No 123 was fatally bumpy. One feared the worst from his "Dante" sonata-fantasy, but in fact several passages in it were all right; unfortunately neither the central climax (from the *dolcissimo ppp*) nor penultimate breakneck flight (a mess) was among them, and Stephenson broke the dramatic progress of the piece for every recurrence of the opening motto. Whatever the reason, this must have been an off-night.

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Theatre

NETHERLANDS

Groningen, Schouwburg. Christmas pantomime (in Dutch) written and directed by Alexander Doré: Hashiwatch's Magic Mirror (Tue, matinee Wed). (12 56 45).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes' Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Bette & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

Les Misérables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

JAPAN

Kabuki (National Theatre) Kanadehon Chushingura (The Treasury of Loyal Retainers). Better known as the revenge of the 47 Ronin, the play is based on an incident in 1702 of samurais' revenge for their master's death. The story is basically accurate and is particularly illuminating in what it reveals of Japanese loyalty, "face", form, obligation, vendetta etc. — norms which still underpin Japanese society. This month sees the final in the 3-part series and has star line of Kabuki's best-known actors. English language programme and excellent earphone guide. National Theatre, near Nagatacho and major hotels. (265 7411).

Kabuki (Kabuki-za) Of the various extracts from plays and dances, those featuring famous female impersonator Tamasaburo Bando should draw the crowds. In the morning performance he dances Kyo Kanoko Musume Dojoji. In the evening O-Matsuri festival dance he is joined by equally famous actor, Takao Kataoka. Excellent English programme and earphone guide. Kabuki-za, near Ginza. (541 3131).

Cats: Revival of the Shiki Company's renowned 1984 production in the special tent theatre. Excellent set, effects, good dancing and Kabuki tricks and movement compensate somewhat for the lack of characterisation and genuine vitality. Nonetheless, worth seeing. Directed by Keita Asari. (320 6000).

The Water Station, first and best of the trilogy by Shogo Ota which explores aspects of human nature, solitariness, communication by silent theatre. Very pertinent and appropriate to the Japanese. The Water Station has been seen at many venues outside Japan and is a moving and compelling treatment. Performed by Ota's Tenkei Troupe at their base, T2 Studio, converted from a warehouse. The civilising amenity of a theatre bar, interesting performing space and location, and especially a play without language problems all promise a rewarding evening. T2 Studio is near Hikawadai (Yurakucho Line beyond Ikebukuro). (983 9406).

Saleroom/Antony Thorncroft

A boom of an autumn

This has been an amazing autumn for the leading fine art auctioneers, they are already worrying that, in a year's time, the 1987 figures will look drab in comparison. In the months since September Sotheby's has increased its world-wide turnover by 77 per cent to £331m.

Much of the increase can be attributed to the sales of Impressionist and modern pictures in New York and London, which set a record for an individual auction when £40m was brought in from 105 lots at Bond Street on December 2, including £6.6m for a Braque, the highest auction price for a 20th century work of art.

A week later Sotheby's sold a Rembrandt for £7.26m. In all the Impressionists and moderns, plus contemporary art, contributed £119m. But the boom has extended to most markets, and to most sales centres, with London, and the other European auction houses, equalling New York in sales, an improvement on their position a year ago.

Suddenly art is fashionable, a fact underlined by the increase in private buying, from 35 per cent to 60 per cent of the total in New York, in three years. In London dealers remain dominant. Currency fluctuations, especially the rise of the yen against the dollar, have contributed to the high prices, but the main factor remains chance — the arrival on the market of important collections, notably those of John R. Gaines, James Johnson Sweeney, and T. Y. Chao. Sotheby's has high hopes for 1987. It has a good Botticelli, a £1m plus Schiele, a very important David, and a £3m collection of hunting hooks coming up for sale.

Christie's autumn sales totalled £208.6m, from August 1, a rise of 23.2 per cent. Its great achievement was a Manet which made £7.7m. As it points out, converted to dollars this is the most expensive picture ever sold at auction. But all mention of records is a nonsense, so bedevilled is the situation by currency fluctuations and by inflation.

The British Library yesterday paid £165,000 for an Elizabethan manuscript which is likely to be a key reference for students of Shakespeare. The manuscript, by an anonymous writer, contains quotations from Henry IV, possibly noted down by a spectator at a performance, and theological and metaphysical reflections. The London dealer Quaritch conducted the bidding for the British Library at Sotheby's sale of books, letters and manuscripts from English Literature and History.

The Government of India Archives paid £154,000 for 275 personal letters written by Mahatma Gandhi and 130 telegrams sent to him by well-wishers. The sole made a total of £850,874 with 8.6 per cent bought in.

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Nimrod in perspective

THE cancellation of Nimrod in favour of Boeing's airborne early warning system is a severe blow to GEC, but it needs to be seen in perspective. Larger aerospace contracts have been cancelled in the past (like the TSR-2 bomber in 1965) and the industry has recovered. Key defence orders have sometimes been placed overseas — as they should be if the foreign product is better or cheaper — and the defeated British bidder lives to fight another day. GEC will continue to be a major supplier of advanced electronic equipment not only to the British Ministry of Defence but to the US Defence Department and other overseas buyers.

It is true that the loss of Nimrod will be especially galling to the company after all the controversy and the criticisms that have been levelled at GEC's handling of the project. Morale inside the company is certain to be damaged and so, too — for a while at least — will be its credibility in world markets. But the Nimrod saga is unlikely to make customers less willing to buy other GEC products in areas where it is an acknowledged world leader. The company will simply have to work harder to win new orders and put the bad publicity behind it.

It is, after all, not the first time that GEC has been on the losing side of an argument with the Government. Quite apart from the recent rejection by the Monopolies Commission of the bid for Plessey, GEC has had some notable failures in seeking to influence government policy over, for example, the choice of nuclear reactors or the privatisation of British Telecom. GEC's lobbying power in Whitehall, even during the period when its management reputation was higher than it is now, tends to be exaggerated.

City's attitude

What certainly has changed in the last few years, partly because of an unspectacular profit performance, is the City's attitude to GEC. The difficulties over Nimrod have been linked, however illogically and unfairly, with the well-known allegation that the company is better at squeezing profits out of established businesses than at building new high-technology ones. Critics point to the company's apparent inability to make the same impact internationally in non-defence electronics markets (medical electronics being a notable exception) as in, say, turbine generators, where GEC's export record is outstanding.

Others argue that for a company which built its reputation in the 1960s and early 1970s on its success in acquiring and rationalising AEI and English Electric, it has seemed in recent years to have lost its sure touch on take-overs. It has made approaches to several companies—such as British Aerospace in 1984—but it has not brought off a really significant acquisition since it bought Picker International, a medical electronics company, in 1981.

Worst response

Yet quite the worst response to the City's carping would be for GEC to react to the Nimrod cancellation by plunging into a very large take-over just to demonstrate its virility. That would be to pander to "short-termism" in the City without resolving the genuine anxieties about the company's future. These anxieties, which have almost nothing to do with Nimrod, centre on the personality and style of Lord Weinstock, the managing director.

It is Lord Weinstock who has shaped the character of GEC over the past two decades and continues to dominate its affairs. His particular technique of tight financial control at the centre combined with a high degree of autonomy in the operating units has in general worked extraordinarily well, although at times GEC has seemed less good at exploiting its strengths as a single, powerful enterprise. His lack of interest in the sort of strategic planning which is conventional in other large companies is not necessarily a weakness, but a somewhat stronger role for the centre in helping to build on the company's technical and commercial resources might be an advantage.

In a company which owes so much to a single individual, the succession at the top is always likely to be difficult; Lord Weinstock is now 62. It is his responsibility, together with fellow-directors and advisers, to provide for an orderly succession, so that the national asset which GEC represents can be developed — no doubt with a different style and in different directions — over the next 20 years. GEC's ability to solve this problem is far more important in the long run than the immediate disappointments over Nimrod and the Plessey bid.

Complacency at the OECD

IF VOLTAIRE'S character Dr Pangloss were to be given a job by the OECD, he would doubtless produce a commentary on world economic prospects similar in tone to the Paris-based organisation's latest Economic Outlook. The OECD projects steady economic growth of $2\frac{1}{2}$ to 3 per cent a year and notes with evident satisfaction that inflation is lower than at any time since 1964. It creates the strong, albeit implicit, impression that governments would be foolhardy to seek faster growth and seems quite unconcerned that the stance of OECD fiscal policy could be slightly restrictive in 1987.

After the traumas of the 1970s and early 1980s, it is hardly surprising that the onset of steady, non-inflationary growth should be greeted with relief. Five years ago, it was easy to dream up much worse scenarios for the world economy. But the realisation that things could be worse should not blind policymakers to the fact that they could also be much better. There is a real danger, especially in Europe, that unnecessarily modest growth aspirations will become self-fulfilling; it would be silly if austerity became habit-forming.

Confidence risk

The OECD report illustrates how bleak the outlook remains in certain key respects. For example, no fall whatever in unemployment is foreseen over the next 18 months: the jobless total in the industrialised world of more than 31m is predicted for the first half of 1988. The problem is particularly acute in the big European economies where nearly 45 per cent of the jobless have been unemployed for at least 12 months.

Superimposed over the jobs crisis is the challenge posed by current account imbalances and the small but real risk of a sudden loss of confidence in the dollar. On unchanged policies, the OECD forecasts that the US current account deficit in the first half of 1988 will still be running at an annual rate of \$133bn — only marginally down on the expected 1986 deficit of \$138bn. This does not just reflect the perverse short-term effects of dollar devaluation: the OECD anticipates only a very gradual adjustment in volume terms. The US's dilemma is that, with its exports worth only 60 per cent of its imports, it has to run just to stand still.

Powerful antidotes

A third cause for disquiet concerns relations between developed and developing countries. The OECD concedes that it greatly over-estimated growth in the industrialised world in its May Outlook because it failed to anticipate the weakness of exports to LDCs. In the first half of 1986, the decline in oil and other commodity prices strengthened the terms of trade of rich countries by some 30 per cent. But it also translated into a massive loss of purchasing power in the Third World, which was forced to ration its imports even more carefully. The terms of trade deterioration was a heavy blow for countries which in aggregate were already exporting their way out of the developed world on account of the debt overhang and the refusal of commercial banks to resume lending.

Unemployment in Europe at levels last seen in the Great Depression, unprecedented current account imbalances within the OECD, and the Third World's inability either to earn or borrow enough to sustain the momentum of development ought to be powerful antidotes to any tendency towards Panglossian complacency this Christmas.

The supply-side structural reforms introduced in recent years have been both necessary and beneficial. But they may not be sufficient to solve all of the world's economic problems on an adequate timescale. Unemployment, external imbalances and LDC problems could all be ameliorated by faster growth of real demand in the rich creditor countries. The OECD report demonstrates that, after five years of restraint and with inflation at a 20 year low, there is no fiscal constraint to expansion outside the US.

Transatlantic takeovers

Why predators may get indigestion

By Christopher Lorenz, Management Editor

ON PAST form, 1990 could turn out to be disaster year for many of the European companies which have joined the great American takeover stampede of 1986.

Their hands may be clean of the questionable stains of arbitrage and greenmail, and they may be untainted by the downright illegal practice of insider trading. But their respectability may fail to save them from the jaws of the Budd-Crocker Amendment.

This highly unofficial page of the American statute book determines, quite simply, that if anything can go wrong with a transatlantic acquisition, it will—and fast.

Doubters of the law's veracity should consult its unwitting authors, West Germany's once-proud Thyssen and Britain's bumbled Midland Bank. Their well-charted misfortunes with (respectively) the Budd engineering group of Philadelphia, bought in 1978, and Crocker National Bank of San Francisco (1980) represent a spate of "Ietarida" failures from which hungry European predators have suffered over the past decade.

For every publicised disaster at Howard Johnson (acquired by Britain's Imperial Group, in 1980), Fairchild Semiconductor (under France's Schlumberger combine from 1979), and A. & P. supermarkets (bought by Germany's Tenglemann chain in 1979), there have been a dozen failures among lesser companies.

Though some transatlantic takeovers have been undoubted successes—notably in the food and chemical industries—the nightmare that has come to haunt most predators is that they will join the long list of European companies with troublesome US subsidiaries. In a phrase, they will get takeover indigestion.

Richard Hickinbotham, an analyst at London stockbrokers Hoare Govett, makes no bones about it: "the tradition is that British companies buying in the States don't know how to manage things, and generally uncover a can of worms." Crocker is an arch example: it was poorly vetted before takeover, and produced one nasty surprise after another until Midland managed to knock it into shape, before selling it in 1985.

Britain has always been by far the largest European acquiror of US corporate holdings (see graph), and Hoare Govett estimates that the 1986 spend has been about \$9.5bn, against \$3.5bn in 1985, which was the highest for at least five years.

Because of this very volume, the problems of UK-US acquisitions have always made the most headlines. But the spectacular sufferings of other Europeans have arguably done more to make local managements think twice about taking the risk at all.

Among West Germany's close-knit business community, for instance, it was not just the rising dollar which choked off the growing flood of German-US acquisitions after 1979, according to Martin Waldenstrom, head of the acquisitions division of Booz, Allen & Hamilton, the US consultancy. The debacle over Budd's ruinously uncontrolled expansion did at least as much, he says.

The effects of Budd-Crocker may be painfully straightforward, but its sub-clauses are many. The prime half-dozen are:

● Inadequate assessment of the strengths and weaknesses of a prey before the bid is made (one of Midland's many errors);

● A similar lack of attention to the attractiveness or otherwise of the industry in which it operates;

● Lack of consideration about whether the takeover price can really be recouped in additional future earnings (this may prove a major stumbling-block to some of the ultra-expensive US acquisitions of 1986);

● Lack of clarity about whether one's intention is to move into technologies, products and markets which are related to one's existing core businesses, or which are unrelated;

● Inadequate attention to how this affects the vital question of how far, and how, to integrate the new subsidiary into one's own organisation and culture;

● This last point is linked with a host of other difficult decisions about the maintenance or replacement of existing managers, systems and ways of doing things.

None of these problems is peculiar to transatlantic takeovers; they also govern the success or failure of purely national acquisitions, whether the country in question is the US, Britain, Germany or anywhere else. These and other problems are so common that take-overs of all kinds have an average failure rate of about 50 per cent, according to most research studies, with unrelated acquisitions coming off especially badly.

If these pitfalls are difficult to avoid in one's own backyard, they are downright deadly at a distance of several thousand miles, in a culture and market that are far harder to understand than most foreign companies realise until they learn by bitter experience.

What is worse for transatlantic acquirors, Budd-Crocker also comprises a special set of international clauses, such as the failure of many Europeans to realise that the US market is more regional than it looks; that distribution, service and advertising patterns tend to differ from Europe's; that American organisations are less collegiate than (most of) Europe's, with the chief executive often wielding overriding power; that most US subsidiaries will be difficult to control (witness Unilever's long-standing problems with Lever Brothers); and that ownership of less than 100 per cent may therefore be ineffective.

The letter was part of Midland's problem with Crocker, as well as Shell's with Shell Oil. Both eventually bought full control. BP, which still owns only 55 per cent of its troublesome Sohio subsidiary, had to mount a boardroom coup 10 months ago in order to achieve managerial control.

Having looked at past performance, and disliked what he sees, Hoare Govett's Hickinbotham is sceptical about the prospects for many of the European-US acquisitions which have been made during this year's stampede.

At the extraordinary prices which have been paid throughout 1986, his caution is not surprising: the \$475m which Bertelsmann of West Germany paid for Doubleday, the New York publisher, represented a price-earnings ratio of 70, and p/es of well over 20 have been commonplace in this year's European annexation of much of the US cement and building products industry.

The single most criticised deal of all has probably been the \$555m paid by Boots, the UK pharmaceutical company, for Flint Laboratories. The purchase gives Boots a much-needed US sales force, but only \$12m of the price was for tangible assets. This prompted the US National Review of Acquisitions, a weekly newsletter, to ask whether British buyers were "suckers," and to accuse them of "using an arithmetic all their own."

The US National Review of Acquisitions asked whether British buyers were 'suckers'

But beneath all the brouhaha there are signs that, though inexperienced European acquirors are still making every mistake in the book, the more established fraternity has become much more sophisticated.

"I'm surprised how much the big multinationals have learned in just the last few years," says Prof Philippe Haspeslagh of Insead, the European business school, who is one of Europe's few specialist researchers into how companies integrate their acquisitions.

"They've learned on all fronts," says Prof Haspeslagh, "in terms of what they buy, why they buy it, and how they handle it afterwards."

In contrast with the diverse portfolio-building of a few years ago—which newcomers are still practising—the vast majority of major Euro-US takeovers now involve very little diversification, if any, Prof Haspeslagh reports. They are also larger and less opportunistic; the predator may pounce suddenly, but only in line with a well-thought-out strategy of building its position in a carefully-chosen industry—usually its own, the major exception being Britain's Hanson Trust, which specialises in restructuring diverse acquisitions.

In addition to managerial experience, Prof Haspeslagh traces the change to a shift that has started to occur in the structure of many industries which were previously fragmented and either national or regional. He cites paints and seeds as two cases where globalisation is spurring a string of Euro-US takeovers, ranging in size from BASF's \$1bn purchase of Inmont paints in 1985 down to several deals worth \$80m or less.

Martin Waldenstrom of Booz & Allen also points to the fact that many large European companies have effectively evolved into local US citizens as far as Wall Street's investment banking community is concerned. As a result "they have access to high street quality merchandise, rather than just the bargain basement stuff which is all the Europeans used to get." This applies, for instance, to Sweden's purchase of White Consolidated, to Unilever's giant deal to buy Chesebrough-Ponds, as well as to the massed invasion by Europe's chemical majors.

Since a quality corporation usually comes with quality management, many of the major European acquirors are no longer faced with one of the greatest takeover dilemmas of all (and also the greatest cause of post-takeover problems): whether to maintain or replace local managers, systems and procedures.

While still intent on gaining the benefits of control and "synergy" with their new subsidiaries, the major European acquirors have become "much more sensitised against interfering," reports Prof Haspeslagh. "They used to let everyone from the mother company interfere and destroy what they'd bought, but now there's a great emphasis on channelling all communication through one person, at least for a transitional period."

This approach, which has become known as "gatekeeping," was practised rigorously by ICI after its \$750m takeover of Beatrice Chemical in early 1985. Its chairman, Sir John Harvey-Jones, issued a rubric that no one was to talk to Beatrice's specialty chemicals operations except through the executive in charge, Dr Ben Lochtenberg.

"It worked—some would say it overworked," says Dr Lochtenberg. "It has now ended, but it established a modus vivendi." ICI has been extraordinarily careful, in other ways too, to keep the essence of Beatrice intact. The company consisted of a collection of 11 smallish units, many of them entrepreneurial and each with its own culture, incentives and management systems, so this has been an extremely delicate task.

With only one exception, ICI has left the Beatrice management in place. A similar strategy has been practised by Redland, the UK building materials group, whose experience of US takeovers spans two decades and which has bought a string of quarries during 1986, most recently Genstar Stone of Maryland for \$317.5m in October.

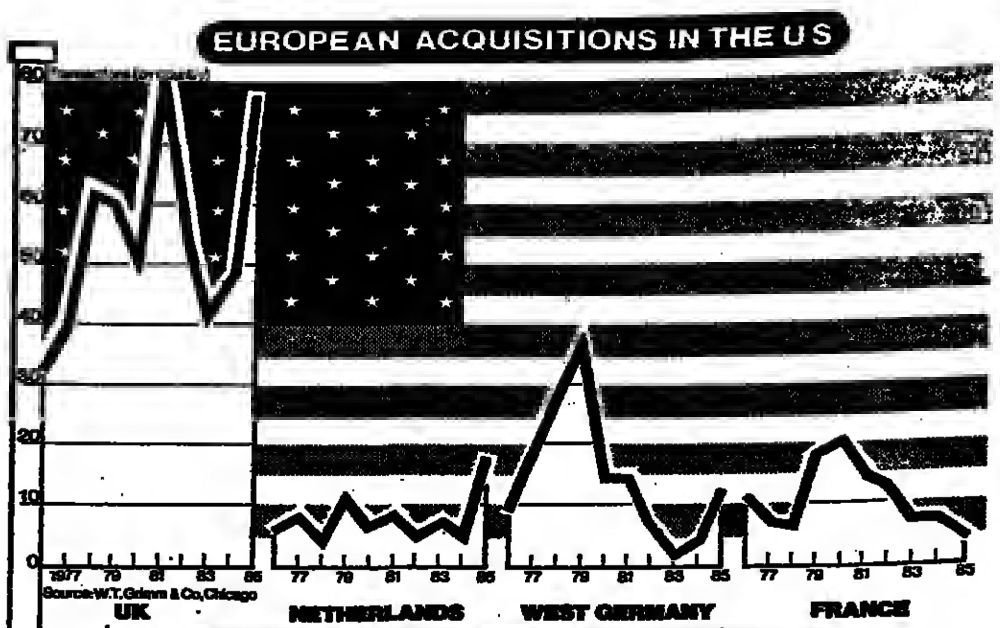
"We started by buying small companies that weren't as strong managerially as we thought," says Robert Napier, Redland's Finance Director. "We've learned that size and good management are both important."

But many European predators are still finding to their cost that, in certain types of takeover, a "hands-off" approach can be just as unwise as over-interference.

So the question of how US acquisitions should be handled can only be answered with the proverbial "it all depends" — on the relatedness or otherwise of the acquisition, on its managerial strengths, and on lots more besides. Only one thing is certain: that, in the words of ICI's Ben Lochtenberg, "if you buy a company with weak management, especially in an area you're not familiar with, you're in deep water."

The ICIs and Redlands may have learned a thing or two, but it's a fair bet that many of the greenhorns who are still piling into the US will be knee-deep in difficulties less than four short years from now.

EUROPEAN ACQUISITIONS IN THE US



Source: W.T. Grimm & Co, Chicago

KEY BUYERS AND THEIR PRICES

Target	Buyer	Nationality	Price
Chesebrough-Ponds	Unilever	Anglo-Dutch	\$3.1bn
Celanese	Hoechst	W. Germany	\$2.8bn
Container Corp. of America	Jefferson-Smurfit*	Eire	\$1.24bn
Big Three Inds.	L'Air Liquide	France	\$1.1bn
White Consolidated	Electrolux	Sweden	\$745m
Charles of the Ritz	Yves St. Laurent	France	\$630m
Jackson Natl. Life	Prudential	UK	\$608m
Glidden Paints	ICI	UK	\$580m
Union Carbide Agro-Chemicals business	Rhone-Poulenc	France	\$575m
Flint division of Baxter Travenol Labs.	Boots	UK	\$555m
Purina Mills	BP Nutrition	UK	\$545m
Doubleday & Co	Bertelsmann	W. Germany	\$500m+
Robertshaw Controls	Siebe	UK	\$466m
Ted Bates	Saatchi & Saatchi	UK	\$450m

* Buyer is a holding company owned 50/50 by Jefferson Smurfit and Morgan Stanley.

Research: Rivka Nachoma

Graham Lever

Due to a transmission error, last Thursday's leader page feature referred to the Afrikaner Weerstandsbeweging as a "parliamentary" resistance movement. This should have read "para-military" resistance movement.

Men and Matters

Storms in the Channel

The board of Britain's independant Channel 4 programme has issued an unanimous public statement on its preferred financial future.

But it has managed to paper over the cracks of a serious disagreement within the boardroom itself.

It is, however, there for all attentive readers of the BBC magazine, The Listener, to see. For the scuffle is taking place in the letters columns of that journal. It is all about the future structure of Channel 4.

It started when Paul Fox, the distinguished, if rather gruff, managing director of Yorkshire Television suggested that independence for Channel 4 from the other ITV contractors would not actually do much for the viewer.

Edmund Dell, the Channel 4 chairman, weighed in attacking the views of Fox, a Channel 4 board member. Dell pointed out what he saw as the inability of the ITV companies to control their costs because of the lack of competition for advertising revenue.

Dell wrote of the "allergy to competition" in influential ITV quarters. He advised Fox, in a rather high-handed manner, to, "repeat, morning and night, the following lesson—competition can be good for viewers."

Fox has now weighed in again to remind Dell that he (Fox) has worked in a highly competitive industry for more than 30 years. He goes on to accuse the Channel 4 chairman of advocating an unworkable form of "half-baked competition."

By that Fox means the competitive selling of TV airtime against ITV, but the non-competitive scheduling of programmes.

The happy note in this season of goodwill is that no one has resigned yet over this one.

"Will you stop saying 'we should have seen it coming'"

Crow's nest

A touch of informality may be added to central bankers' meetings when John Crow takes over as governor of the Bank of Canada next February. Currently the bank's senior deputy governor, Crow, 49, has broken with banking tradition by wearing blazer and slacks to work and furnishing his office in a thoroughly modern style.

Crow, who spends some of his spare time at home making marmalade, joined the Bank of Canada's research department in 1973, but his accent still gives away his English background. Educated at Oxford, he worked as an economist at the International Monetary Fund during the 1960s.

After his appointment was announced this week, Crow said he plans no radical changes to the policies set out over the past 14 years by retiring governor, Gerald Bouey. Bouey brought a cautious approach to monetary policy, often preferring to hold up interest rates rather than allow market pressure to push down the Canadian dollar.

But the new governor will also have to take the bank into uncharted territory as federal and provincial governments prepare far-reaching reforms in the regulation and ownership of Canada's financial institutions.

More equal

Derek Evans, director of the Wales area of the conciliation service, Acas, reports a rather wide-ranging claim for sex equality.

Speaking at a conference of industrialists and trade union leaders in Cardiff this week, Evans told of an equal pay for equal value case recently handled by Acas in which a male applicant claimed equal pay with "any woman who gets more than I do."

Still motoring

Harold Musgrove, who retired from his £83,000-a-year job as chairman of Austin Rover in September, admits that he no longer has to work for a living. But such a pugnacious workaholic who enjoyed calling bleary-eyed colleagues to breakfast conferences, is not prepared to opt for a quiet life at the age of 56.

Musgrove has taken on his first non-executive directorship with Metalrax, a Birmingham-based engineering company. Metalrax's colourful chairman, John Wardle, senior partner in solicitors, Edge and Ellison, and director of 23 companies, is so pleased with the acquisition that he has written a letter to shareholders noting the "wisdom and experience" Musgrove will contribute to group strategy.

Though not normally prone to modesty, Musgrove confesses surprise at the job offers he has received. Somewhat enigmatically, he comments that the non-executive role will not prevent him "doing anything else I might choose to do."

He will reassume a higher public profile next June when he takes over as president of the Birmingham Chamber of Commerce. His views on his beloved motor industry are expected to be characteristically outspoken.

Top Grade

Lord Grade was in sparkling form yesterday. The occasion, he said, was the most important lunch of his life. Not only was he celebrating his 80th birthday—actually on December 25—but also his 60th anniversary in show business. It was in 1926 that he won the world Charleston championship, with Fred Astaire as one of the judges.

Grade's autobiography, Still Dancing, is to be published by Collins next October.

That is not the only thing he has to look forward to in his 81st year. He is co-producing Starlight Express on Broadway and a single advertisement in the New York Times led to \$8m in advance bookings. When the box office opened on Monday it took \$147,000 in a single day compared with the previous record of \$120,000. Then there's his production of Barbara Cartland's The Hazard of Hearts, for CBS Television.

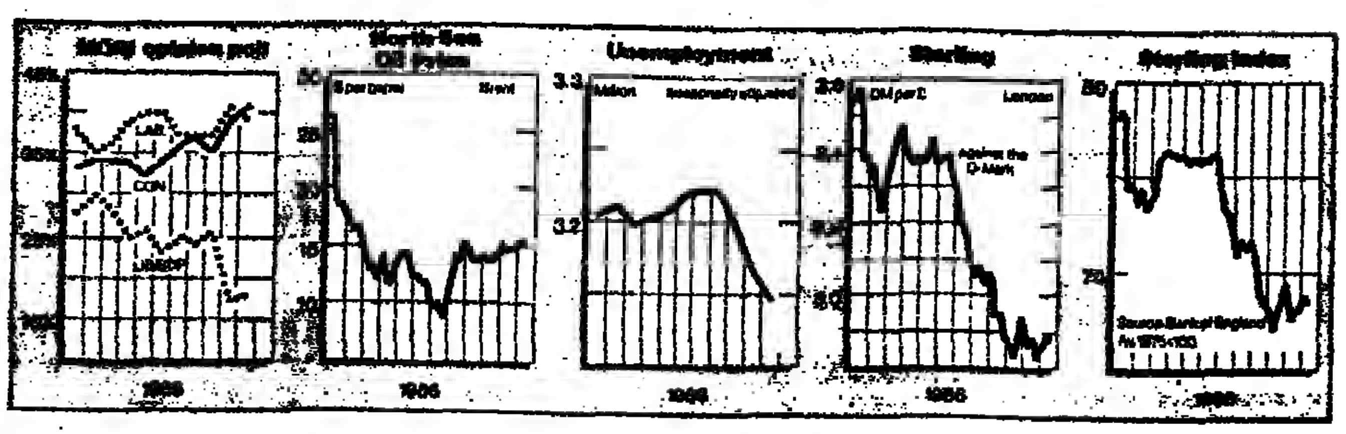
But do not worry. Grade swore yesterday he planned to retire in the year 2000.

Highland game

Ernest Saunders, chairman and chief executive of Guinness, has found a suitably Scottish theme for his Christmas cards this year. They depict a stag at bay.

Observer

POLITICS TODAY



Tories back at the top of the tree for Christmas

By Malcolm Rutherford

A YEAR that began badly for the British Government is ending with Mrs Thatcher's administration on top.

Last January the Conservative Party had 33 per cent support in the opinion polls, the Alliance 28 per cent and Labour was ahead with 38 per cent. By the end of last month, the Tories had risen to 41 per cent, Labour was on 39 per cent and the Alliance had slipped to 18 per cent. (The figures are taken from Mori for the sake of convenience; the trends in the other polls are not wildly different.)

So the story of the year is that of the Government's recovery, or perhaps more accurately, of the opposition parties' failure to take advantage of a Government that seemed to be on the ropes.

The turn-around really began in September when the Liberal Party Assembly rejected the nuclear defence policy that had been put together with its Alliance partner, the Social Democrats. The Labour Party Conference that followed also embraced a non-nuclear defence policy and went further in challenging US use of British bases for nuclear facilities.

The results can be seen in the accompanying charts. The Alliance suffered most, not, perhaps, because it quarrelled on defence, but because it quarrelled at all. The Labour vote held more or less steady at a time when it should have been moving ahead if the party is to have a realistic chance of winning the general election outright. The Tories were the gainers.

There was also a significant change in the pattern of local by-election results. In September, the Conservatives held four seats and lost 10. In October, they held 13, lost two and gained six, four of them from the Alliance. The Tories were ahead in the percentage share of the vote and the Alliance share fell to third place for the first time in a year.

There are two explanations. First, Labour and the Alliance handed the Conservatives the defence issue on a plate. The Tories can present themselves as the party of national defence, whatever the imperfections in their own policy. Defence also unites the Conservative Party in a way that economic policy never has.

Second, by allowing attention to be switched to defence, Labour and the Alliance ceased to be seen to be attacking the Government in the areas where it is most vulnerable: poverty, unemployment and the uneven regional pattern of prosperity.

Yet perhaps the Government was beginning to move ahead in any case and doing so because neither Labour nor the Alliance was offering credible alternative policies.

The year began with Westland and is ending with AWACS. In between came Leyland. All those matters had something in common. They reflected a belief on the part of the Government that sections of British industry were not strong enough to cope with international competition and must be reorganised. There was a counter-belief, expressed by the Opposition and some Conservatives, in economic nationalism: some sectors, the argument went, were so important that they had to stay British, or at least European.

Westland was a disaster not because there was much to choose between the rival solutions, but because the Government fell apart in the process. Two cabinet ministers resigned. A government with a smaller majority might well have fallen.

The affair also led to a loss of nerve. Plans to dispose of Leyland Trucks to General Motors and to sell the Leyland cars group to Ford were abandoned as the forces of economic nationalism took over. The result is that the problems of Leyland are still unresolved, though Mr Paul Channon, the Trade and Industry Secretary, was careful to signal in advance this month that talks on the future of the trucks group are now under way with both DAF of the Netherlands and Paccar of the US, and a report on the future of the cars division is awaited early in the new year.

In the same fit of nerves, the Government dropped the Shops Bill, leaving the provisions for Sunday trading an unholy mess of anomalies.

The decision to buy the airborne warning and control system (AWACS) from Boeing rather than Nimrod from GEC seems to have been better handled, if only because the Government prepared the ground and is determined to stick to its decision. Confidence has come back, even if some might call it arrogance.

Most of the important business this year, however, has taken place largely outside Parliament. The oil price has demanded attention throughout: down from over $30 a barrel a year ago to under $10 in the summer and now around $15, pending the outcome of the Opec meeting. Chancellor Lawson based his March budget on the assumption of $15: anything less bodes ill for tax cuts next time; anything more should put him in a position to be generous.

Incidentally, it is not true that the Government just watches the oil price and hopes for the best. While practically everyone else was talking about Westland early this year, the Chancellor and Mr Peter Walker, the Energy Secretary, were busy resisting demands from Sheikh Yamani for a cut in North Sea production. That depressed the price for a while, but the dismissal of Yamani could lead to a reduction in Saudi Arabia's output, thus putting the price back above $15. The Government is pleased it stood firm.

The exchange rate has continued to weaken, sometimes quietly, sometimes dramatically. The trade-weighted index was down from 78.9 a year ago to 68.6 this week. There has been a sharp fall against the D-Mark. It is hard to avoid the conclusion that the Chancellor is pursuing a policy of creeping devaluation which occasionally gets out of hand. Indeed, he has little choice given that Britain's inflation is still higher than that of most of its major competitors and that average earnings have been rising at an annual rate of 7½ per cent ever since mid-1984 without a corresponding increase in productivity.

One of the most revealing admissions of the year came from Mrs Thatcher when she told the Financial Times last month that Britain was still too weak to join the exchange rate mechanism of the European Monetary System. The policy of trying to prevent the pound falling too fast has its price in high interest rates. On such matters the Government should be vulnerable, yet it proceeds without undue difficulty.

Figures on unemployment show a turn for the better. The seasonally adjusted total in November was down for the fourth month running: the average monthly fall in the last half year has been 10,000. Had the figures gone the other way, with the worst of winter still to come, it is almost inconceivable that the Government would be in its present, relatively confident, position.

Other changes that have not commanded too much parliamentary time include the Big Bang in the City and the mounting attack on fraud. It is sometimes said that Labour has the advantage here because the extent of the corruption is only just becoming known. It is worth noting, however, that the Government is moving into combat in this field, as if to pre-empt Labour criticism. Again it should be vulnerable, but is less so than it might be.

The teachers' dispute has ground on. Yet it, too, shows another characteristic of the Government: the determination to get there in the end and the failure of anyone else to come up with better ideas. Education no longer looks like such an obvious vote-loser for the Conservatives. Some of the reforms prepared by Sir Keith Joseph, Mrs Thatcher's prime mentor, are being put into effect by his successor as Education Secretary, Mr Kenneth Baker.

There have been failures, of course. Much of the summer was spent in resisting economic sanctions against South Africa, partly on the grounds that sanctions do not work and partly in the belief that South Africa would reform itself. The events of the last few weeks have shown the latter claim to be hollow. The problems of Southern Africa will be with us for many years yet.

There has also been some cooling of the Anglo-American (or Thatcher-Reagan) relationship. The US President went into the Reykjavik summit inadequately prepared and has lost some of his glitter at home over Iran and Nicaragua. Yet this cooling has been paralleled by a closer relationship with Europe, which has been one of the more surprising achievements of Mrs Thatcher's premiership so far.

The British presidency of the European Community, which ends this month, has had some successes in developing the internal market and in the reform of the common agricultural policy. There were times in the last week or so when the number of British ministers in Brussels ran almost into double figures. That is a measure of how the European dimension has grown. Britain has become a natural member.

There is no inevitability in the fact that so much of what has happened this year has seemed to pass Parliament by. There could have been more debates on the economy, on the teachers or on Europe. In the past, economic policy debates in the House of Commons have often been central: Wilson v Macmillan for example.

Yet there appear to be two inhibiting factors. One is that the sheer size of the Tory majority can make the opposition give up without a fight. The other is that the opposition is divided and shows no sign of coming together even tactically. When Mr Lawson took a penny off the standard rate of income tax in his budget, the Alliance voted against, but Labour did not. When the Alliance introduced a motion on the reform of the security services, Labour MPs went home rather than support it.

This divided opposition continues to play into Mrs Thatcher's hands. If she wins the next general election outright, the process of political realignment, temporarily at a halt, will have to resume.

As for the date, it will probably be October. There is a case for May 7, the same day as the local elections. If the Prime Minister wanted to go early, that would be the best bet because the agonising over whether the local election results were good enough to make June worth risking would be avoided.

Still, October is the logical month: a year's legislation and the summer holidays will be out of the way and the Government will be free of the charge of cutting and running. Happy Christmas.

Lombard

Too many gaps in the CAP reform

By Andrew Gowers

AMID ALL the euphoria surrounding this week's agreement by EEC farm ministers to cut the dairy and beef mountains, it might seem churlish to look for loopholes.

After all, it is not just the farm ministers that have been crowing about their achievement of a deal to reduce milk production by 9.5 per cent between now and 1989, and to phase down support to the beef sector; even that scourge of the EEC Farm Council, Commissioner Frans Andriessen, went on record this week with his praise. The reform is indeed a remarkable political victory over the forces of inertia built into the Common Agricultural Policy.

But without belittling the move, and leaving aside the fact that the equally burning issue of the grain mountain has barely been broached, it would be as well to inject a note of scepticism. Consider the record: in the case of milk quotas, it is hardly an inspiring one. The sound of excited ministerial voices, for example, claiming that this is the biggest reform of the CAP since its inception 25 years ago is curiously familiar. Almost exactly the same words about new policy directions, about farm ministers demonstrating that they are capable of taking sensible decisions, were used when quotas were introduced.

Yet that agreement in April 1984 was followed by a prolonged spectacle of backsliding, as agriculture ministers—aided and abetted, it has to be said, by Mr Andriessen himself—made political concessions to an outraged farm lobby.

The Commission's original intention was to make quotas apply to every individual producer, so that any farmer producing above his allotted quantity would face a punitive fine, the so-called "super-levy." Yet the 1984 agreements allowed national government to choose whether to apply the system directly to farmers or via a dairy; in Britain, with its large milk marketing boards, this meant that over-production by some farmers could be offset against under-production by others, and that the surplus producers could escape without penalty. It also, of course, sowed the seeds of the present problem by setting the overall quota far too high.

Perhaps more seriously, the impact of the package was weakened last year, when the Commission proposed that member countries should be allowed to balance quotas between regions, so that surplus production in one area could be offset against a deficit in another. And the disincentives to over-production were further diluted by diary price rises proposed by the Commission as a "sweetener" for the farm lobby.

The point is that this week's reform agreement may be "historic" as some of the more ambitious commentators have claimed. But it also bears some of the hallmarks of history repeating itself.

When the Commission started pressing for further dairy cuts earlier this year, its avowed intention was to scrap some of the flaws which had so debilitated quotas since the outset. The system was to be tightened so that every over-producer would be forced to cut back. Yet during their sleepless nights of negotiation, the ministers succeeded in retaining both the regional balancing of quota and the application of super-levies at the dairy level. It is not inconceivable that the Commission will also propose another "sweetening" price rise in the next few weeks.

In other words, even if the Community manages to get rid of the butter mountain in the foreseeable future—to believe this requires a certain degree of optimism about both the world market and that within the EEC—there will still be incentives for farmers not to cut production by as much as required. Given that butter consumption is likely to remain stagnant at best, the underlying pressures for surplus-creation remain.

The response of farmers to this week's measures has been suspiciously low-key, probably because the compensation on offer is now so generous. But if the cuts really begin to bite, their mood could easily change. It will then be up to Mr Andriessen and his fellow-commissioners to ensure that the backsliding does not start again.

Letters to the Editor

Tax cuts and hard work

From Mr A. Nelson

Sir, — You report (December 16) that Professor C. V. Brown has reported that, in general, tax cuts do not cause employees to work harder. The notion that the benefit of lower taxes has very much to do directly with employees working harder or otherwise is greatly oversimplistic. As you indicate, for most employees the opportunity for harder work may well not be there, and is in any case not related to tax cuts.

One has to look elsewhere for the benefits to be derived from tax cuts. Lower taxes provide existing businesses with additional after-tax profits, part of which at least can be invested. In addition, small and newly established businesses can find life just that little bit easier, and some of these will flourish. Consumers will have more money left to spend, thus stimulating demand, or to invest, thus stimulating business.

I well remember from the days of excessively high taxation a client with whom I was discussing the progress of his business. He said that the tax system as it then was left him three options, as follows: to carry on expanding with the result that he would be unable to finance his expansion and would either lose control of his business to an outside investor, or overtrade and become bankrupt; cut back to three days a week and play golf the rest of the time; or sell out to a large company and emigrate, setting up a new business in his new country which would compete with the business he had established and would be selling. In the event, he did the last, and I believe is now a wealthy man. This country, however, is much the poorer.

Those who cling to the outworn notion that high taxes are not damaging to business and generally deadening to economic progress often seem to me to be either lacking in experience of business, and particularly small and growing businesses, or wilfully blind.

A. W. Nelson,
Hedgerows, Orchard Rd,
Pratts Bottom, Kent.

Working to live

From Mr M Barnard

Sir,—The findings of Professor Brown's analysis that tax cuts are not incentives to work harder or longer (Philip Stephens December 18) are hardly surprising—I thought everyone knew that! Has he never heard of the disutility theory of labour? People work to live, not live to work.

The continuing reduction in the working week throughout this century bears this out. I fear that the Government's intentions have been misconstrued. Reducing taxes increases disposable income which can be either saved or spent: Savings are available for investment to boost the variety and productivity of industry; spending increases demand for goods and services, which should raise the level of activity of, and therefore employment in industry.

There is no inflationary effect because the money is spent by individuals instead of the government.

M. J. Barnard,
Ivydene,
Chadwick Hill,
Stourport-on-Severn, Worcs.

Patents and novelty

From Mr M. Tierney

Sir,—I read with interest your report (December 3) of the case of Thetford Corporation v. Flamma SpA. It appears from the report of the judgment that a misapprehension exists as to the basis of obtaining patent protection in Ireland under the Irish Patents Act, 1964. Thus it was suggested that, apart from the UK, it would not have been possible to obtain valid protection in other EEC states with the possible exception of Ireland, because the inventions in suit were not new in the sense that the inventions had been anticipated by what was known outside the UK at the time UK patents were applied for.

The so-called "absolute novelty" requirement in the granting of patents was incorporated as part of the Irish domestic patent law under the provisions of section 34 of the Patents Act, 1964. In fact Ireland was one of the first countries to incorporate the "absolute novelty" requirement in compliance with the Strasbourg Convention of November 27, 1963 on the unification of certain points of substantive law on patents for inventions. Thus an Irish patent may be revoked under section 34. (1) (e) on the grounds that the invention is not new having regard to what was published before the priority date of the claim and under the following paragraph (f) of that section on the grounds that the invention is obvious and does not involve any inventive steps. In the case of Wavin Pipes v. Hopworth Iron Co (1981) ILRM p 234 Costello J. of the Irish High Court held as a matter of law, that petitioners for revocation of a patent were entitled to rely upon patent specifications made available to the public both in Ireland and in other jurisdictions. Since all Irish patents currently in force were granted under the 1964 Act, revocation of Irish patents can be obtained on the grounds of lack of novelty and obviousness.

Martin Tierney,
27 Clyde Road,
Ballsbridge, Dublin

The key to savings

From Professor I. Pearce and Dr S. Thomas.

Sir, — You report the Treasury's conclusion (December 15) that "inflation is the key to the rate of savings" based primarily on the belief that unexpected price rises reduce the real value of a fixed stock of nominal wealth: individuals respond by saving more to rebuild their balances. There is, however, an alternative persuasive explanation: given the way the Central Statistical Office collects the income and expenditure statistics, and "allocates" them to various quarters or years, a doubling of nominal expenditures and incomes will not leave the savings ratio unchanged. Rather, changes in transactions balances will appear as savings. These will not disappear until the rise in prices ceases.

We have found that the personal sector does not save at all once savings has been adjusted for contractual savings by life funds (which are surely subject to separate influences), and for changes in transactions' balances. Furthermore, none of the explanations offered by the Treasury has any influence.

(Prof) I. F. Pearce,
(Dr) S. H. Thomas,
The University,
Southampton, Hants.

The merits of innovation

From Dr J. Toporowski.

Sir,—The analogy that Christopher Gilbert draws (December 15) between financial services and home entertainment is surely an inappropriate or, at best, superficial one. In particular this is because home entertainment is not essential for the conduct of other activities, whereas finance is. As for TV, I can assure readers that it is perfectly possible to lead a civilised life, and have adequate "home entertainment" without TV, whereas some sort of banking system is absolutely vital.

More important however is another superficial parallel between innovation in electronics and in financial markets. This lies in the tendency of innovation to make techniques obsolete so that the out-of-date technologies cease being adequately serviced. In electronics, such innovation merely threatens obsolete producers, who are replaced by more advanced producers, or ones with access to longer lines of credit. As we can see, however, from the fate of the international syndicated credits market and recent events in the floating rate note market, financial innovation causes liquidity to dry up in obsolete financial markets. This can threaten the soundness and stability of the whole financial system. Mr Gilbert also hails the narrowing of margins as an economising "cost reduction." This may well be the case in the short run. But in the longer term it can damage borrowers and lenders alike if it makes the finances of the financial system more precarious and speeds-up disintermediation and the processes of financial innovation mentioned above.

(Dr) Jan Toporowski,
28 Warrington Crescent, W9.

Insider dealing

From Mr L. Goslin.

Sir,—The Stock Exchange is not alone when it comes to leaking inside information. Having successfully extracted 10 winning home teams on my football coupon and been awarded the princely sum of £1.35, my mail has been inundated with a flood of charitable requests from the Liverpool area.

Lionel Goslin,
2 Wyke Oliver Road,
Preston,
Weymouth, Dorset.

Defence policy

From Mr P. Mitchell

Sir,—Shall we just put things in a nutshell? Mr Neil Kinnock is truly living in a fairyland—whatever use is a grandiose conventional army? Russia need only say "You better do as we say, otherwise we unleash our nuclear weapons," and then Britain, powerless, would have to toe the line. His defence policy is a travesty and an insult to anybody who lived through the last war, and remembers what we fought for.

Peter G. Mitchell,
Southside, Fife Street,
Keith, Banffshire.

FINANCIAL TIMES

Friday December 19 1986

MOVE FOLLOWS CONTINUED US REFUSAL TO HALT NUCLEAR PROGRAMME

Moscow abandons test moratorium

BY OUR FOREIGN STAFF

THE Soviet Union said yesterday that it would resume nuclear testing as soon as the US detonates its first explosion in 1987, ending Moscow's unilateral moratorium which has been in effect since last year.

Although the Soviet decision was expected, given Washington's refusal to join a nuclear testing moratorium, it marks a further hardening of Moscow's arms control stance following the abortive summit between the Soviet and American leaders in Reykjavik last October.

The Geneva arms control negotiations between the two countries have been bogged down since US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, failed to agree on a global nuclear arms reduction deal in the Icelandic capital.

The Soviet decision was conveyed yesterday to Mr Javier Perez de Cuellar, UN Secretary General, by Moscow's representative.

The Soviet Union was ready to declare another moratorium if the US was willing to adopt one, according to Mr Alexandr Belonogov, the Soviet official. He said the Soviet Union was forced to resume testing to ensure its national security.

The US has consistently refused to join a moratorium arguing that verification would be difficult and that it should be preceded by a nuclear weapons ban agreement.

Moscow has extended its moratorium four times since putting it into effect on the 40th anniversary of the atomic bombing of Hiroshima.

The latest extension was announced on August 16 by Mr Gorbachev, who expressed confidence that the Soviet Union and the US could reach agreement on ending nuclear tests at a summit later in the year.

But October's Reykjavik talks between Mr Gorbachev and President Reagan collapsed over Soviet demands for limits on testing of the US Star Wars programme and there was no agreement on halting nuclear blasts.

Today's statement, in effect a fifth extension of the freeze, called for immediate full-scale talks aimed at reaching a total ban and said that if Moscow resumed testing it was prepared to stop when the US did.

The statement said it was almost 18 months since Moscow, "wishing to contribute to an end to the dangerous rivalry in building up nuclear arsenals and to set an example for the other nuclear powers, decided to halt unilaterally all nuclear explosions and called upon the US to join that action."

The moratorium had been maintained despite serious sacrifices with regard to Soviet security, showing it was possible to take steps to end the arms race.

Describing US arguments against joining a freeze as "far-fetched," the statement said: "It is deeply regrettable that the current US Administration has never given a positive response to the Soviet Union's appeal to join its peace initiative."

Washington's unwillingness to renounce its bid for military superiority through outer space explained its consistently negative attitude towards Soviet proposals for full-scale talks to ban nuclear testing for all time, the statement said.

Camdessus unanimous choice as new chief of IMF

By Lionel Barber in Washington

MR Michel Camdessus was yesterday unanimously appointed the new managing director of the International Monetary fund IMF at a meeting of the 22 strong executive board in Washington.

Mr Camdessus currently governor of the Bank of France, received strong support from developing countries which enabled him to triumph over his rival Mr Onno Ruding the Dutch Finance Minister.

The two men fought a tenacious battle for three months to succed Mr Jacques De Larosiere who is retiring slightly ahead of the end his second term. The struggle led to a protracted and embarrassing stalemate with Mr Ruding, strongly supported by West Germany and the UK, refusing until yesterday to bow out.

Mr Ruding is expected to remain as chairman of the powerful policy making interim committee of the IMF.

In the l onger term, the bitter divisions caused by the candidacies of two Europeans – which broke the IMF's tradition of consensus – leaves open the questions of whether the post of managing director can remain in future the sole preserve of the Europeans.

The IMF executive board meeting yesterday followed a secret straw poll taken on Wednesday in Washington. Mr Camdessus emerged with a slender majority. "He came out ahead by a head rather than a neck," said an IMF official.

Usually, this would have been enough for Mr Camdessus to declare victory. Bur Mr Ruding, looking to his support among Europeans, declined to officially withdraw his candidacy until the last minute. Only then were IMF officials able to announce that Mr Camdessus was the new managing director.

The straw poll on Wednesday was further complicated by the decision by members representing some blocs of countries to abstain. It is understood that both Canada and Sweden abstained, as well as the US and Japan.

The US, with around 19 per cent of the votes, abstained because its voting power could have swung the decision in favour of either candidate. By tradition, the US assumes the presidency of the World Bank, the international lending agency, and leaves the leadership of the IMF to Europe. Japan abstained because it too did not wish to be in the position of exercising the decisive vote.

The public failure of the Europeans to agree on a single candidate may have damaged their hold on the leadership of the IMF, an influential IMF official said.

Paris extends state sell-off programme

By George Graham in Paris

THE FRENCH Government yesterday stepped up its privatisation programme with the announcement that three state-owned banks would be put on sale in the second quarter of next year.

Mr Édouard Balladur, Finance Minister, said that the privatisation of Crédit Commercial de France, the innovative commercial bank, and of two smaller state-owned banks were being brought forward to replace the planned flotation of Assurances Générales de France, the insurance company, now delayed until the autumn.

In addition to these banks, the Government will privatise TF1, the television channel in March and Havas, the advertising agency, and an as yet unnamed large industrial group in the second quarter.

France has just completed its first privatisation, the heavily subscribed FFr 13.6bn ($2bn) flotation of St Gobain, the glass and packaging group. The second, of Paribas, the investment banking group, is due to take place in the second half of Janoary.

Crédit Commercial de France, best known for its innovations in the Euromarkets and for its drive into electronic homa banking, acted as adviser to the Government in the privatisation of St Gobain. The CCF group last year recorded net profits, excluding minorities, of FFr 256m on total assets of FFr 162.7bn.

The other two banks to be privatised are Banque du Batiment et des Travaux Publics and Banque Industrielle et Mobiliere Privée. The French Government had been expected to bring forward the privatisation of some of the smaller state sector banks to fill the gap left by AGF, whose complicated holding structure and heavy unrealised capital gains posed severe difficulties in its hurried privatisation programme.

Warner set to rescue Cannon

By Anatole Kaletsky in New York and Raymond Snoddy in London

WARNER COMMUNICATIONS is expected to rescue the troubled Cannon Film group which today faces a final deadline on a £53.3m ($76m) payment to the Bond Corporation of Australia.

Warner, one of the major Hollywood studio companies, has assembled a complex financial package to save Cannon, which has been grappling with a growing financial crisis.

Warner will guarantee the £53.3m payment to the Bond Corporation, relieving the immediate pressure on Cannon. In return Warners will:

- Receive video distribution rights to Cannon films.
- Take an equity stake in Cannon cinemas in Europe, excluding the UK.
- Have an option to buy a substantial minority stake in the main Cannon company.

Cannon's immediate financial problems stem from its purchase in May of the Screen Entertainment division of Thorn EMI for £175m.

The division, which included the ABC cinema chain, Elstree studios and a film library, was owned by the Bond Corporation for one week in May before being sold on.

The deal made the controversial and fast growing Cannon group one of the biggest cinema exhibitors in Europe.

In the past three months Cannon shares have dropped from $45.5 to $13; the company has announced a loss of $5.8m on a turnover of $261m for the first nine months of the year and the US Securities and Exchange Commission has conducted a formal investigation into the company's accounting methods.

On Monday the Bond Corporation agreed that a debt payment of £53.3m would be deferred until today. A balance of £30.8m would be deferred for four years and the Bond Corporation would be given 500,000 warrants, exercisable for five years, to buy Cannon stock at $16 a share.

Neither Warner nor Cannon would comment yesterday but investors and analysts were united in expecting an imminent Warner-Cannon link.

The two companies had worked closely in both production and distribution and Mr Yoram Globus and Mr Menahem Golan, the two Israeli-born cousins who control Cannon, had commented on several occasions about "how wonderful it was to work with the Warner people."

Meanwhile in London, the Hemdale Film Corporation obtained High Court injunctions against Cannon, preventing the disposals of assets up to $1m.

Mr George Miller, Hemsdale director of sales and acquisitions, said: "We are very sad and embarrassed about this. We don't want to do anything to pre-empt any deal but we have to protect our assets."

Economic reformer to head Vietnam's Communist Party

BY STEVEN BUTLER IN BANGKOK

NGUYEN VAN LINH, the leader of a group of economic reformers, was appointed to head the ruling Communist Party of Vietnam yesterday, in sweeping leadership changes following the resignation of three of the country's most senior leaders on Wednesday.

A new 13-man Politburo was also appointed during the closing session of the sixth Party Congress after a further three Politburo members resigned yesterday.

They were Van Tien Dung, Defence Minister, and Chu Huy Man, the Army Political Commissar, both generals and ranked fifth and sixth respectively in the leadership. To Huu also resigned.

They joined Truong Chinh, head of the party, Pham Van Dong, the Prime Minister, and Le Duc Tho, fourth in seniority, who went on Wednesday but who were yesterday named "advisers" to the Politburo, suggesting their influence has not waned completely.

The new leader is expected to oversee the introduction of limited capitalist measures into the Vietnamese economy, which has been in severe difficulties and now depends on about $1bn aid annually from the Soviet Union.

Van Linh, 72, was a close associate of Le Duan, the former Party head who died in July. Linh was sentenced to death when he was 15 by the French Government in Vietnam for his political activities, although he was released from jail six years later.

While Party Secretary in Ho Chi Minh City he successfully managed to decentralise the economy, and to introduce incentive schemes in agriculture and industry.

Van Linh's accession to the Secretary-generalship marks the first real transfer of leadership in the 56-year history of the Vietnamese Communist Party.

Vo Chi Cong, the vice-premier, was named to the Politburo for the first time yesterday, and listed as number three in the hierarchy. He has been closely associated with the economic reformers and had been mentioned as a possible successor to the premier, Pham Van Dong, who had been in office for more than 30 years.

The number two man in the Politburo line up is Pham Hung, formerly listed as number three. Pham Hung is the Interior Minister who controls the powerful internal security apparatus.

EEC agrees cuts in fish quotas

BY TIM DICKSON IN BRUSSELS

SHARP reductions in permissible catch quotas of many North Sea fish stocks were agreed yesterday by EEC fisheries ministers in Brussels, as part of conservation efforts.

The reductions, which vary considerably depending on species, but fall typically in the 15–20 per cent range, apply to major whitefish species such as cod, haddock and plaice.

The drastic measures, which are certain to provoke strong protests from fish lobbies and will compound the financial difficulties of the Community's already hard-pressed fleet, are considered essential by the European Commission.

Officials in Brussels, impressed by the evidence of scientific experts, have increasingly warned of the need for more conservation in Community waters.

Yesterday's deal represents the second triumph this week for Mr Michael Jopling, Britain's Farm Minister who, wearing his hat as chairman of the EEC's Agriculture Council, announced key reforms of the beef and dairy sector on Tuesday after a marathon nine-day meeting.

Mr Michael Jopling

Looking remarkably fresh after another all night session Mr Jopling claimed yesterday that Britain's presidency of the EEC was now ending with the most incredible grand slam in the fisheries sector.

Major initiatives had been taken in the last four months on conservation, enforcement, structural reform and the setting of total annual catches (TACs) and quotas. "The Common Fisheries Policy is one of the spectacular successes of the European Community," he said.

Although most observers in Brussels share Mr Jopling's enthusiasm for the achievements of the last six months, Community officials are conscious that major problems remain, with the fleets of most member states suffering from excess capacity as stocks continue to decline.

An important new conservation measure was adopted for the German Bight area of the North Sea where fishing in the first and last quarters of next year will be restricted to minimum mesh sizes of 100mm.

Background, Page 38

'Code of conduct' for the City

BY DAVID LASCELLES IN LONDON

A NEW regulatory regime for the UK's wholesale financial markets, including a "London Code of Conduct," was proposed by the Bank of England yesterday.

The proposals will result in the Bank of England maintaining a list of institutions authorised to act as principals and brokers in the markets for sterling and foreign currency deposits, foreign exchange, bullion and other short-term instruments like Treasury bills and certificates of deposit.

The aim of the proposals, contained in a 26-page booklet, is to create a clear regulatory structure for these markets in the wake of other changes brought about in the City by the Big Bang deregulation.

Only institutions which meet the Bank's "fit and proper" test will be put on the list, and they will be subject to constant regulatory scrutiny. However, they will also enjoy exemption from certain provisions of the new Financial Services Act, which control the activities of investment institutions.

The Treasury said in a statement that it wanted regulation of the wholesale markets to be non-statutory in order to preserve flexibility.

But it warned institutions that they must abide by the spirit as well as the letter of the rules, adding: "If it should become necessary, the Government would not hesitate to legislate to improve the system."

The London Code is designed to maintain high standards both for institutions based in the City and for monetary instruments issued there. The Code emphasises the need for integrity, confidentiality and sound practices, and pledges managements to stamp out insider trading.

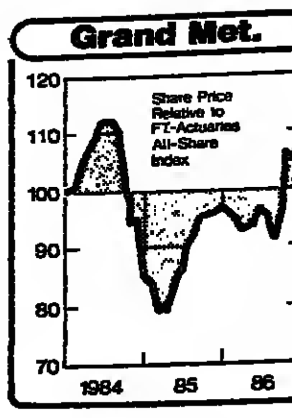
Until it receives applications, the Bank will have no firm idea of how large its list is likely to be; the estimates yesterday ranged from 50 to 100 institutions, which would include banks, brokers, building societies, bullion dealers, securities firms and foreign institotions.

The Bank stresses that the new regime will not mean any major changes to present practices, but should enhance London's standing as a major world financial centre.

THE LEX COLUMN

Grand Met slips the leash

Grand Metropolitan's pre-tax profits of £386m were better than almost anyone expected, so the share price fell 4p to 456p. This is less paradoxical than it sounds. Grand Met's steady outperformance of the market over the past few months has been very little to do with its trading prospects, and everything to do with rumours of a break-up bid. Figures like these make it much easier for Grand Met to justify its existence, although the hard-sell style of yesterday's presentation bore all the hallmarks of a company looking over its shoulder.



Although there was great relief at the sale in October of the Liggett tobacco interests, there is some nicotine nostalgia in the market, now it is revealed that the business contributed about £35m to 1986 profits. Breaking up the Grand Met portfolio by divisions, however, each is more profitable for the absence of businesses which have since been sold.

The doubts must centre rather on the company's acquisitions, particularly in the US. Quality Care, bought on a multiple of 30 times earnings in 1985, has produced flat profits. Pearle, which cost $385m, has seen profits roughly halved in its first year with Grand Met. The company is now shaking up the management at Pearle, but part of being a good acquirer is recognising good management. The case for the defence rests on what was done with Liggett, which cost $450m in 1980, has netted over $300m in disposals, and is now earning about $150m a year.

If Grand Met makes £440m pretax this year, then it is on a multiple of almost 12, or the market average. The window for the break-up merchants has almost closed.

OFT

Anyone who thought that the highly leveraged bid was officially sanctioned by the all-clear to Elders' offer for Allied Lyons, had better think again.

Last week the OFT referred the Gulf Resources bid for IC Gas on a leverage question, though in that case there was a trace of a competition issue, given Calor's market share.

Now the OFT has reversed its earlier view that Valuedale's proposed management buy-in at Simon Engineering could not constitute a merger, since Valuedale was an off-the-shelf company with no assets, formed solely to inject new management into Simon.

Valuedale appeared to be nothing more than a putative management and the offer of over £100m of loans from Citicorp; but the OFT now wonders if that constitutes an enterprise, which would allow it to consider the effect of such a highly geared balance sheet on Simon's ability to finance major international projects. Perhaps the era of requiring mergers to be in the public interest, rather than merely not against them, has begun.

Guinness Peat

For a company anxious to win friends Guinness Peat has a curious way of presenting its final figures. Aside from the late announcement, the sudden appearance of an exceptional property provision of £3.6m would alone have deserved the market's response of a 7p share price fall to 87p. Then Guinness Peat had to use nearly all the profits from the Britannia Arrow sale below the line to offset the writing down of oil and gas assets, Nigeria, Singapore and Third World debts.

When such nasty fumes keep seeping out of the cupboard it is not surprising that Guinness Peat's shares have never recovered in relative terms from the collapse in the early 1980s. The market must wonder how much longer they can be blamed on the previous management and what else will turn up. While the property provision ought so cope with all future development liabilities, some caution is merited when the now completed building in San Francisco is proving so hard to let. Dropping around £1.5m in Ireland may be the end of that sorry saga, and the development capital business which lost a few hundred thousand has now been sold.

The pity is that a credible case could nonetheless be made for Guinness Peat. The insurance broking business, also problematic last year, should improve. The aviation associate looks set to expand. And the new US fund management business is promising. With plenty of US tax losses and unrelieved ACT in the UK, the tax charge will stay low. But Friends Provident's 20 per cent stake is more of a support for the share price than the earnings quality.

J. Rothschild

Now that Mr Jacob Rothschild's business has to be regarded as an investment trust, though without the tax status, it deserves some praise for the increase in asset value achieved between April and September.

After all, the UK market peaked in early April while J. Rothschild Holding's asset value has risen a few percentage points. But the counterbalance to the lack of tax benefits is that J. Rothschild can buy in its own shares, and it seems that the gain in asset value during the half year has as much to do with the repurchase of 12.1m shares at around 125½p as with superior investment performance.

The declared policy is to continue buying in stock as far as possible, which must limit the shares' downside, and shareholders are taking a rising dividend too. But the share price of 131½p, down 3p yesterday, is at a larger discount to assets – nearly 27 per cent on the latest figure – than the trust sector average, and likely to stay that way.

Rolls-Royce

By next summer about the only thing left unprivatised over Britain will be the air itself: following British Airways (even now girding itself for the runway) and with the airports to come, Rolls-Royce has been given definitive clearance to fly.

On a rough calculation, it looks as if Rolls can be floated on a higher multiple and bigger capitalisation than BA; putting Rolls on the same 8½ times earnings as British Aerospace (the nearest UK substitute share) suggests that the sale could raise a full £1bn.

Completely recapitalised, shorn of the hubristic ambitions that brought it down in 1971 – and much more efficient – Rolls must still overcome the stigma of being a company on which nearly every institution in the City has lost money. Pricing will presumably be generous.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	8	46	Malta	S	15	59	Rhodes	R	13	55
Algiers	S	17	63	Edinburgh	C	3	37	Manchester	C	5	41	Rio de J'o	C	37	98
Amsterdam	F	8	46	Faro	S	15	59	Manila	S	32	90	Rome	F	14	57
Athens	S	12	54	Florence	—	—	—	Melbourne	C	19	66	Salzburg	R	3	37
Bahrain	F	22	72	Frankfurt	F	8	46	Mexico City	—	—	—	San Francisco	R	11	52
Bangkok	F	33	91	Funchal	C	18	64	Miami	C	18	64	Seoul	R	2	36
Barcelona	S	12	54	Genoa	C	7	45	Milan	S	8	46	Singapore	F	29	84
Beirut	C	19	66	Gibraltar	C	14	57	Montreal	C	0	32	Stockholm	S	-3	27
Belfast	R	3	37	Glasgow	R	4	39	Moscow	S	-7	19	Strasbourg	F	23	73
Belgrade	F	2	36	Guernsey	R	11	52	Munich	R	7	45	Sydney	F	25	77
Berlin	C	7	45	Helsinki	S	-12	10	Nairobi	F	25	77	Taipei	R	18	64
Biarritz	—	—	—	H. Kong	C	18	64	Naples	—	—	—	Tangier	S	18	64
Bombay	S	25	77	Innsbruck	C	2	36	Nassau	—	—	—	Tel Aviv	F	16	61
Bordeaux	—	—	—	Inverness	F	2	36	New Delhi	S	16	61	Tenerife	R	22	72
Brussels	C	8	46	Islamabad	C	16	61	New York	R	6	43	Tokyo	R	5	41
Budapest	C	1	34	Istanbul	R	5	41	Nice	—	—	—	Toronto	R	2	36
B. Aires	F	24	75	Jakarta	C	29	84	Nicosia	C	17	63	Tunis	—	—	—
Cairo	F	19	66	Jersey	R	12	54	Oporto	C	10	50	Valencia	S	15	59
Cape Town	S	21	70	Jo'burg	C	20	68	Oslo	R	1	34	Venice	—	—	—
Caracas	C	24	75	Lima	F	24	75	Paris	R	11	52	Vienna	R	4	39
Casablanca	S	19	66	Lisbon	S	10	50	Peking	S	-1	30	Warsaw	C	3	37
Chicago	Sn	-1	30	London	C	9	48	Prague	F	5	41	Washington	R	6	43
Cologne	F	10	50	Los Angeles	F	11	52	Reykjavik	F	-2	28	Zurich	C	6	43
Copenhagen	R	5	41	Luxembourg	—	—	—								
Corfu	S	12	54	Madrid	S	6	43								
Dallas	—	—	—	Majorca	S	17	63								
Dublin	R	6	43	Malaga	F	15	59								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

London insider trading probe

Continued from Page 1

The Ivan F. Boesky company is a highly-geared arbitrage fund formed in March with an initial equity investment of $220m by about 40 partners. An additional $115m was invested after April 1, about $100m by a single non-US investor, the New York Times reported yesterday.

Drexel Burnham Labert, the US securities house, also issued $660m in high-yielding bonds for the partnership. Under the terms of the partnership, bondholders have precedence in a liquidation over equity shareholders such as Guinness.

Guinness shares closed 19p lower yesterday at 280p.

Soviet sacking sparks riots

Continued from Page 1

Mr Kolbin is generally regarded as an enthusiastic supporter of the programme of economic reform and the drive against corruption launched by Mr Gorbachev.

However, his appointment has caused some surprise, given the lingering nationalist tendencies and fears of incipient Moslem revivalism associated with this, and other's, of the Soviet Union's Asian republics.

Kazakhastan, however, though often described as Moslem, is less so than the neighbouring republics of Uzbekistan, Kirghisia, Tadzhikstan and Turkmenia.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday December 19 1986

KLM launches $975m bid for Hilton hotels

BY LAURA RAUN IN AMSTERDAM

KLM Royal Dutch airlines has offered to buy for $975m the Hilton International hotel chain from Transworld of the US, in a bold move aimed at strengthening KLM's growing hotel business.

The acquisition would make KLM one of the biggest players in the international tourism industry by meshing Hilton's worldwide hotels with the Dutch flag carrier's global destinations. KLM, 39 per cent owned by the Dutch Government, now derives only a modest part of its Fl 4.9bn ($2.21bn) revenues from hotels but intends to expand that.

Golden Tulip International, KLM's hotel-management and reservation subsidiary, now embraces 343 hotels in 65 countries, up from 320 in 60 countries last year. KLM's full and partial ownership of hotels has jumped to Fl 20.4m from Fl 3.7m a year earlier.

KLM operates one of the largest airline networks in the industry with 126 destinations in 76 countries, most of which would match Hilton's 90 hotels in 44 countries. The Dutch company is also active in charter airlines operations, travel agencies, professional catering and sightseeing tours. However, no indication had been given that a major hotel acquisition was in the offing.

KLM's offer is conditional on approval from its supervisory board and clearance from the US Justice Department on antitrust grounds.

The acquisition will be financed with cash and "available credit facilities," the airline said yesterday although it declined to give details. Liquid assets amount to about Fl 2bn.

The size of the offer, however, raises questions about how it will be financed. KLM is already involved in an ambitious Fl 7bn five-year investment programme to expand and renew its aircraft fleet and improve ground facilities.

While its debt-to-equity ratio remains at a healthy 60-40 level, the company has aggressively tapped the market in recent years with frequent equity and bond offers. A Fl 775m share offer in New York last March was the largest in airline history.

A fresh debt or equity offer, however, seems possible since credit facilities are only a short-term solution. A sell-off of some of Hilton's hotels also appears plausible.

KLM's profits, meanwhile, were hit in the first half of fiscal 1986-87 by the lower dollar and stiff competition. Earnings plunged 29 per cent to Fl 82.2m and no forecast for the whole year has been made.

The Dutch carrier declined to disclose whether Hilton International is profitable, noting the complex structure in which some hotels are partially owned, others leased and some only managed. The broad range of room classes is said to fit in with KLM's spread of hotel classes.

Recently, however, KLM has moved up-market with the purchase and renovation of the Barbizon Hotel in New York City and the remodelling of the Centraal Hotel in Amsterdam.

In October the company announced that Mr Jan F. Soet, a director, would succeed Mr Sergio Orlandini, president-director, in September 1987.

Loan 'boosted Fermenta profits'

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MR Refaat El-Sayed, the former majority owner and chief executive of Fermenta, the troubled Swedish biotechnology group, said yesterday that he had borrowed SKr 50m ($7.2m) at a foreign bank, which he had used to boost Fermenta's 1985 profits.

Mr Erik Ehn, managing director of Nordbanken, the Swedish bank, confirmed last night that some SKr 50m had been borrowed from Arbuthnot Latham, the bank's London subsidiary, by Mr El-Sayed, but said that the loan had since been repaid. "It has not been in our books for a long time."

In an interview with Dagens Nyheter, the leading Swedish morning newspaper, Mr El-Sayed admitted that the funds had been channelled to Fermenta.

It is understood that this is one of the transactions discovered by Fermenta's auditors, which were reported to the board last week and plunged the company into renewed crisis.

Mr El-Sayed is understood to have informed colleagues last year of a deal in which Fermenta technology had been sold to a company in Mexico for SKr 50m. The proceeds for this deal had still not come in as the accounts for 1985 were being prepared earlier this year.

Mr El-Sayed is understood to have borrowed the funds at the London bank in order to avoid a cut in Fermenta profits. These were then channelled via intermediaries abroad to Fermenta in Stockholm as if they had come in payment for technology sales.

The irregularities in the source of the payment were not originally discovered by the auditors.

Mr El-Sayed insisted in the newspaper interview that he had taken the loan out of consideration for the company. He refused to accept the interpretation that he had misled shareholders.

FFr 6bn gain for Société Générale

By Our Paris Staff

SOCIÉTÉ GÉNÉRALE, third in the triumvirate of major French commercial banks, plans to reorganise its financial structure in an operation that will bring FFr 6bn ($910m) to FFr 8bn of unrealised capital gains on to its balance sheet.

The restructuring is aimed at tidying up the complicated cross holdings of the Société Général parent company and its three main subsidiary holding companies.

Several of France's large banks, including crédit Lyonnais and Crédit Commercial de France, have announced similar restructuring plans over recent weeks. In most cases the twin target has been to create a separate division to handle financial markets, and to regroup industrial investments into a more flexible investment banking division.

The Société Générale plan is to merge together the holdings of its three main subsidiaries – Uniforest, Valorind and Sogevalmob – and then redivide them into four new subsidiary holding companies according to the class of activity. The four sectors of activity will be industrial investments, specialist financing, including leasing operations, property, and banking activities, excluding the Société Générale bank itself.

Mr Marc Vienot, president of the Société Générale group, said yesterday that the restructuring had already been approved in principal by the French Treasury.

Balance sheets under both old and new structures are expected to be published in April along with Société Générale's consolidated results. On current valuations the assets going into the four new holding companies total about FFr 8bn.

Mr Vienot said net profits of the Société Générale parent company would be between FFr 770m and FFr 800m in 1986, compared with FFr 860m in 1985.

Citroën sees return to profit at year-end

BY PAUL BETTS IN PARIS

CITROËN, the private French car concern owned by Peugeot, will report a profit of about FFr 300m ($45.5m) this year after six consecutive years of losses.

Mr Jacques Calvet, the chairman of Peugeot, also said yesterday that he expected the Citroën subsidiary to show improved profitability next year which would be "more in line with a company with annual sales of between FFr 33bn-FFr 34bn."

With the return to profitability of Citroën, all the car operations in the Peugeot group are now in the black again. The Peugeot-Talbot subsidiary had come back into profitability well before Citroën.

The Peugeot group itself is expected to report profits of about FFr 2bn or more this year compared with earnings of FFr 543m last year when the Peugeot division was profitable but when Citroën still lost about FFr 400m.

Mr Calvet said the turnaround in Citroën's financial performance was the result of improved commercial performance and strong productivity gains which have totalled about 10 per cent this year.

The productivity gains follow ongoing efforts to hold down the cost of production costs, a 10 per cent lowering in the level of inventories, wage moderation and continuing workforce adjustments.

Citroën shed 4,000 jobs or 10 per cent of its workforce in 1984, another 3,200 jobs or 8.5 per cent of the workforce last year and just under 2,000 jobs, or about 5 per cent of the workforce, this year.

Mr Calvet said Citroën car production was expected to increase from 625,000 cars this year to 700,000 cars next year. Citroën's investments next year would total FFr 3.6bn next year compared with FFr 3.5bn this year while overall Peugeot group investments next year would rise to FFr 8.5bn from FFr 7.9bn this year. While Citroën European car export sales rose last year to give the company a 4.4 per cent share of the European market, its market share in France declined from 12.8 per cent last year to 11.8 per cent this year.

The largest sales gains were made this year in the UK where sales increased 28.3 per cent, followed by Denmark with a 26.1 per cent increase and then West Germany and the Netherlands with a 23.4 per cent rise.

Mr Calvet said he expected the French car market to continue to recover this year with sales reaching the 1.95m level from between 1.88m-1.89m this year. However, he expected the European market as a whole to decline by about 2 per cent.

Utah sells prospecting interests in S. Africa

BY JIM JONES IN JOHANNESBURG

UTAH INTERNATIONAL, the California-based subsidiary of Australia's Broken Hill Proprietary, has sold its South African prospecting interests to Severin Mining and Development, a small Johannesburg-based mining company.

The sale price has not been disclosed, although Severin plans to raise capital through the Johannesburg stock exchange next year to finance mine developments.

At present Severin's principal interest is a holding in Rand Leases, a defunct gold mine which Severin has recently returned to production on Johannesburg's western edge.

Utah's prospecting interests, which are held by wholly-owned Southern Sphere Mining and Development, include gold in the northern Transvaal, diamonds and chromiote in the western Transvaal, and tantalite in Namibia.

Mr Ian Preston, Severin's deputy managing director, says that the gold prospects are likely to be the first to be brought into production. In the meantime Severin's own staff are confirming earlier exploration work done by Southern Sphere.

● Measurex, the US maker of process control systems, is to sell its South African subsidiary to management, AP-DJ reports from Cupertino, California.

Measurex (South Africa), a sales and service operation, is located in Durban and employs 38 field personnel.

Ponderosa agrees to new offer

By Roderick Oram in New York

PONDEROSA, a US restaurant chain, has agreed to an increased takeover offer from an investment group led by Mr Asher Edelman after a protracted and acrimonious battle.

The group, which already held 19 per cent of Ponderosa stock, improved its offer to $29.25 a share from $27.50, valuing it at $288m.

Business has grown briskly for the chain of 431 company-owned and 170 franchised steak houses as many Americans have moved up market from fast food outlets.

Analysts are forecasting net profits of about $1.75 a share this year, up from 39 cents last year, on revenues of $545m against $480.3m.

Sony hit by rise in value of yen

By Yoko Shibata in Tokyo

SONY, the Japanese electronics group, yesterday reported a 42.6 per cent fall in consolidated net profits to Y41.89bn ($256.1m) for its latest year. Sales were down 6.7 per cent to Y1,325.16bn, reflecting attempts to defend the company's world markets in the face of the yen's rapid rise.

The result embraced the parent company's pre-tax profits of Y35.45bn, down 60 per cent, and net profits of Y30.99bn, down 36.7 per cent, on turnover of Y1,036.2bn, a drop of 3.3 per cent from the previous year. The dividend is being held at Y44 a share.

Sony announced yesterday that it would change its year-end to March 31 from the present October 31, falling into step with most Japanese industrial companies and the Japanese Government's fiscal year.

The yen's 40 per cent appreciation against the dollar during the year, eroded sales by Y243bn. This particularly affected sales in the US, which increased 24 per cent in dollar terms but plunged by 10.7 per cent in yen terms.

Conversely, yen sales in Europe rose by 11.7 per cent, on strong demand for 8mm video camcorders and compact disc (CD) players.

Overseas sales fell 11.4 per cent to account for 70.5 of total turnover. Domestic sales rose 6.8 per cent, also drawn from strong sales of the 8mm video format products, CD players and Walkman personal stereos.

Overall, sales of its older Beta format video cassette recorders slid by 500,000 units to 1.4m units. Sony attributed this to the introduction of the 8mm video range in which it sold 1.2m camcorders during the year.

Meanwhile, sales of colour television sets fell 12.4 per cent to account for 24 per cent of the total turnover.

Alan Friedman on the controversy over the Milan merchant bank

Mediobanca old guard under siege

THE MERE mention of Mediobanca, the powerful Milan merchant bank to any senior Italian banker, businessman or politician tends to rouse the most passionate sentiments. Its name has been plastered across the front pages of Italian newspapers for the past seven days. The row about its future has even divided the five parties which make up the ruling coalition of Mr Bettino Craxi, the Prime Minister.

The reason for all of this controversy is that once again the conflict over the future of Mediobanca has exploded in Parliament and in Milanese financial circles. The issue is a peculiarly Italian one and hard to sum up in a few words, but for many thinking Italians the Mediobanca struggle represents far more than what it appears to be on the surface, namely a battle for management control between the majority shareholder — IRI, the state holding group — and a tiny band of private sector minority shareholders led by Fiat, Pirelli and other glittering names in Italian industry.

Instead, the Mediobanca issue seems a symbol of the continuing tug-of-war between modernising and refrom-minded Italians, who want the country's financial system to become more pluralistic and on a par with northern European practices, and the old guard of Italian capitalism. The latter, wish to preserve a status quo under which an oligarchic establishment has traditionally set the rules of the game and forced everyone else to observe them. Even before the start of the current Mediobanca controversy, however, the infinence of the old guard had begun to decline, especially with the emergence of new players such as Mr Carlo De Benedetti and Mr Raul Gardini.

The Mediobanca controversy has been rekindled by a proposal by private minority shareholders that IRI, which through its three bank subsidiaries owns 56.6 per cent of the merchant bank, should reduce its holding below 50 per cent by selling shares out of the tyre company said a spokesman for the private shareholders.

The flames have been fanned by a related controversy over the management of Mediobanca, which since 1946 has been effectively run by Mr Enrico Cuccia, a secretive and imperious 79-year-old who has for the past generation been Italy's most influential corporate deal maker and financial fixer. If Mr Giulio Andreotti, the veteran Christian Democrat politician who is currently foreign minister, is Italy's political maestro, then Mr Cuccia is considered the country's financial equivalent.

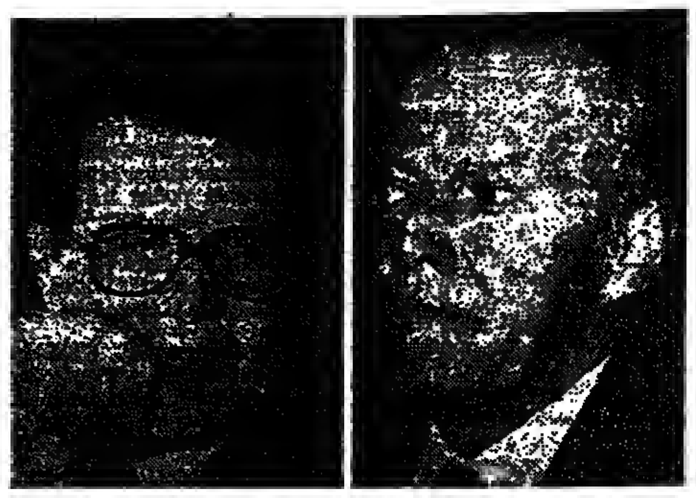
Pirelli's privatisation proposal for Mediobanca was rejected last week by Mr Romano Prodi, chairman of IRI who has stressed repeatedly the need for Mediobanca to broaden its client base and stop serving the interests of its minority shareholders such as the Agnellis (who control Fiat) and Pirellis.

Mr Prodi said he was not averse to reducing IRI's stake in Mediobanca below 50 per cent, but he insisted that IRI must have management control, something which in spite of its absolute majority shareholding the state group has never had.

The reason for this strange state of affairs is that Mr Cuccia long ago devised a shareholders "control syndicate" which gave private minority shareholders, who together have only 6 per cent of Mediobanca, voting rights equal to IRI, which owns 56.6 per cent of the bank. Mr Cuccia's vision of Mediobanca in the 1940s and 1950s — a vision which continues today—was of a "strong box" of Italian capitalism which would prevent unexpected takeovers and keep control of leading companies "in the family."

Mr Cuccia, who has been investigated by a Rome magistrate in connection with an embezzlement scandal dating back to the 1970s, assured himself and his allies (the Agnellis, Pirellis and others) of such control by creating a spider's web of financial power, based on industrial cross-holdings and vital Mediobanca share stakes in Fiat, Pirelli, Generali and other companies.

Mediobanca has frequently orchestrated deals for this charmed circle, which many newcomers to Italian finance claime are preferential. For example, when the Agnelli family two months ago bought 10 per cent of Fiat ordinary shares from the Libyan Government, the deal was financed by means of two Mediobanca bond issues which provided $1.1bn of funds over 11 years at an average interest rate of 2.6 per cent. The bonds are convertible into shares of three companies controlled by the Agnelli family and Fiat has meanwhile bought the entire issues, which means an effective transfer of companies from the family to Fiat.



Mr Romano Prodi (left), who wants IRI to control Mediobanca, and Mr Leopoldo Pirelli, champion of the private minority shareholders

Although there is nothing improper about the transaction, this is precisely the sort of deal that has irked IRI, which feels that its own state banks are gathering funds for Mediobanca and yet the merchant bank is in the hands of a small group of minority shareholders.

Mr Paolo Azzoni, a leading stockbroker and managing director of ABK, a Milan investment bank in which Kleinwort Benson of the UK is a partner, said yesterday he could not see why the majority shareholder of Mediobanca should not be able to exercise control. "As an Italian taxpayer I am amazed that for all these years Mediobanca has been run with taxpayers' money as a private company for the benefit of a few private shareholders such as the Agnellis, Pirellis and other members of the Italian plutocracy. This seems improper since in any other country if you own 51 per cent of a business you control it."

The Mediobanca issue is even more complex than the state-private struggle suggests. The Christian Democrat party, which has influence at IRI, wants to wrest control of Mediobanca from the private minority shareholders, but the Republican party meanwhile has virtually threatened a government crisis if the Pirelli privatisation proposal is not approved.

Mr Craxi, somewhat unusually, has thrown his Socialist party's weight behind Mr Prodi, as have the Social Democrats. The Liberal party (the last of the five coalition parties) has now sided with the Pirelli proposal.

Taking of sides by political parties is considered "part of the game" in Italy but it strengthens the private sector's fears of political meddling in the affairs of Mediobanca, which was one of Mr Cuccia's original concerns.

Mr Prodi wants IRI's majority shareholding in the banks to be reflected in the management. Some Italians still wonder whether this could mean interference from Rome. although the IRI chief bas stressed on many occasions that he does not wish to interfere.

The larger issue, *however*, is whether it is reasonable for Mr Cnccia and his allies to expect Mediobanca to continue to be the supreme arbiter of corporate deal making in Italy. The reality here has overtaken the wishes of the old guard. This reality is a growing stock market, a group of 58 active unit trusts which have attracted $48bn of savers' funds over the past two years and several stinging defeats for Mr Cuccia over stock market takeovers such as the recent acquisition by Montedison of La Fondiaria, the Florence insurer, against Mediobanca's wishes.

Even Wall Street and City of London bankers who follow Italian affairs consider Mr Cuccia a decliniog power. In Milan, meanwhile, the rise of Sige, a merchant bank controlled by the IMI state credit institute, has challenged Mediobanca's supremacy.

The Mediobanca struggle will carry on into the new year, but some compromise is likely in the opening months of 1987. The end result, whatever the details of the settlement, is that Mediobanca will increasingly become just another merchant bank among others in the market, rather than what the old guard would prefer, which is *primus inter pares.*

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Philips gains approval for 4m share float in Milan

BY ALAN FRIEDMAN IN MILAN

PHILIPS, the Netherlands-based electronics group, is to become the first foreign company to issue shares and gain a quotation on the Milan bourse. The Italian Government has authorised the issue of 4m new Philips shares, to be floated on the Italian stock market early next year—probably in February.

The ground-breaking Philips share offer is expected to raise around $78m. The proceeds are to be used by Philips to expand its production of colour television sets at Monza, near Milan, from a current level of around 600,000 units a year to around 1m a year. Philips will also use part of the funds raised to invest in facilities for the manufacture of medical equipment.

Italy's foreign trade ministry has authorised the Philips share issue with the proviso that the proceeds be used for investment inside Italy. This is expected to become the standard criterion, at least for the time being, for foreign companies wishing to come to the Milan equity market.

The Philips issue is seen by analysts in Italy as a key step toward liberalising rules on the movement of capital and is expected to be followed by other issues designed to bring Italy into line with European guidelines.

Electrolux, the Swedish appliances group which controls Zanussi, launched an issue of Italian depository receipts (IDRs) earlier this year, based on the ADR model used in the US market. The Electrolux shares are not, however, fungible with the company's Stockholm paper and the IDRs are currently trading at a discount of roughly 20 per cent against the Stockholm share price.

Sige, the fast-growing investment bank which is controlled by IMI, the state credit institute, is to lead-manage the Philips issue. Although approved by the foreign trade ministry, it still requires a final go-ahead from Consob, the Italian stock market regulatory authority.

Spain attracts foreign investors

BY DAVID WHITE IN MADRID

FOREIGN SHARE purchases in Madrid will have increased almost fourfold this year to Pta 350bn ($2.57bn), according to estimates by the stock exchange, with 30 per cent coming from Britain.

Although foreigners have also been selling their holdings at a much faster rate, net foreign investment on the market is expected to increase to Pta 125bn, compared with Pta 52.6bn last year and Pta 14.7bn in 1984.

Strong foreign demand in the wake of Spain's entry into the European Community has been a key factor behind this year's record levels on the bolsa, where the general index yesterday reached a new high of 208.78, up 2.68 points from Wednesday. The index, which is re-based at 100 at the start of each year, has crossed the 200 mark three times since the beginning of September.

Since 1980, foreign turnover has multiplied more than 100 times over, and foreign share purchases are expected to make up more than 20 per cent of the total for this year. Purchases from the UK are estimated at Pta 105bn, followed at some distance by West Germany, Switzerland, France and Belgium.

The main focus of foreign interest has switched this year from the shares of Telefonica, the semi-state telecommunications group, which in 1985 accounted for about half of all foreign purchases, to the banking sector. Banks will have attracted about 38 per cent of foreign investment, according to the forecasts, followed by Telefonica and the electrical utilities, with 13 per cent each.

Total dealings on the exchange which now accounts for almost 80 per cent of Spanish stock market business—is expected to have risen by 180 per cent to Pta 4,700bn, with share transactions increasing by some 250 per cent to Pta 1,700bn.

Japan's offshore bank trade slackens

BY IAN RODGER IN TOKYO

TOKYO'S offshore banking market has got off to a slow start, as expected. Following an initial rush to transfer deposits to offshore accounts on December 1, the opening day, the market has settled down to a relatively low level of daily transactions.

According to Mr Yusuke Kashiwagi, chairman of the Bank of Tokyo, the cumulative total of transactions in the first 10 days was $280bn in dollars and $688bn in yen. On the 10th day itself, deals worth $800m were done.

Funds transferred to the new market on the first day amounted to $55bn, most of it in dollars. The Long-Term Credit Bank of Japan was the biggest investor, shifting $11bn of deposits to the market.

Activity has been sluggish because the Japanese Ministry of Finance has rejected pleas to waive taxes on offshore transactions and to permit trading in securities. Thus, the market is not as attractive to investors as other offshore markets in the Far East, such as those in Hong Kong and Singapore.

Mr Kashiwagi, who chaired a committee of bankers last year that recommended the formation of an offshore market said he was not optimistic about an early liberalisation of the market. The Ministry of Finance was preoccupied at the moment with a general tax reform project.

"The baby is born, but whether it will grow to the size we want it to grow, it is too early to say," Mr Kashiwagi said.

Kvaerner securities probe requested

By Terje Knutsen in Oslo

THE NORWEGIAN Securities Exchange Commission has asked the police to start criminal proceedings against Mr Johan Odsjell, managing director of Vesta for alleged violation of the Norwegian securities law in connection with the acquisition of shares in Kvaerner, the Norwegian engineering energy and shipping group.

The commission alleged that Mr Odsjell had failed to notify the Oslo Stock Exchange and Kvaerner, that the Vesta Group, with its subsidiary Investa, had acquired more than 10 per cent of Kvaerner.

The board of the commission has also asked its administration to investigate whether the Vesta and Fondssinans, the stockbroking firm, violated the law in connection.

Meanwhile on Wednesday Kvaerner fought off a takeover attack by Elkem, the electrochemicals and metals group, at a very heated extraordinary shareholders meeting. Elkem had called the meeting to claim seats on the Kvaerner board after acquiring a 27 per cent stake.

Opponents of the takeover, including Kvaerner administration, its board, employees and minority holders, maintain that Elkem's main aim is to gain access to the group's liquid assets, totalling NKr 1.3bn (US$171m).

The Kvaerner board unanimously decided that the other major shareholders, Bergesen, the shipping group with 13 per cent and Vesta, the insurance group (10 per cent) should not be allowed to vote.

The foreign shareholders German Commerzbank and Invesco, the Swiss investment firm, were also barred from voting.

Kvaerner's board said the company was subject to a "co-ordinated attack" as Elkem, Bergesen and Vesta acquired 50 per cent of its shares on the same day.

Elkem has reacted strongly to the methods employed by Kvaerner to deny the vote to large shareholders and has initiated legal action to have the general meeting's resolution declared invalid.

In addition, Elkem has requested that the case be brought before the committee of the Oslo Stock Exchange.

$150m CD offering by Banco do Brasil

By Alexander Nicoll, Euromarkets Editor

BANCO DO BRASIL yesterday signed a $150m certificate of deposit issue, marking the first return by a Brazilian borrower to the securities markets without external credit backing since the debt crisis cut the country's access to them in 1982.

The issue replaces about 5 per cent of Banco do Brasil's short-term interbank credit lines which, like those of other Brazilian banks, have been constantly rolled over by international banks under Brazil's debt rescheduling accords.

A number of Mexican banks have made similar arrangements, and Brazil's Banco Itau signed a $50m commercial paper facility earlier this year under which issues are covered by a letter of credit from Fuji Bank, giving them a top credit rating. Nnderwriting banks eould transfer their credit lines to Banco Itan to the new facility.

Banco do Brasil, which is government-owned, currently pays just over ¾ percentage points above London interbank offered ratca (Libor) on its interbank lines, a spread lower than those paid by many other Brazilian banks, Mr Adroaldo Moura da Silva, vice chairman, said in London yesterday.

The new issue will allow it to convert $150m of these lines into four-year debt at ¾ percentage points above Libor, which banks also earning a 60 basis point front-end fee. It has been arranged by First Interstate Capital Markets, which arranged several of the Mexican deals, and was oversubscribed.

For borrowers, issues such as these avoid time-consuming repeated renegotiations of rollovers, provide greater certainty of longer-term funding and afford them an explicit sign of improving confidence among banks in the borroer's economy. Banks earn essentially the same all-in return as on the interbank lines, avaid tiresome renegotiations, and replace the lines with securities which could eventnally be traded off their books.

No active market is expected to be made initially, but the CDs could become more tradeable during their life if Brazil's creditworthiness improves further.

The issue comes at a crucial time for Barzil, with negotiations under way in Paris on a rescheduling of government-to-governmeot debt which, if agreed, would be the first Paris Club accord without the backing of an economic programme formally approved by the International Monetary Fnnd. This could be followed by a general reopening of trade credit lines from official export credit agencies.

A recent worsening of Brazil's trade and reserves position bas worried bankers, raising expectations that banks will be asked to pnt np new money for Brazil next year. Mr Moura da Silva estimated yesterday that Brazil's new borrowing needs in 1987 could range from $2bn to $4bn, bnt said the emphasis in raising new money would be on financing of imports to allow continuing growth in Brazil's economy and exports. Banks' likely share of the new borrowing demands remains unclear.

Baloise group optimistic

By John Wicks in Zurich

BALOISE HOLDING, the parent company of tha Basle-based insurance groop of the same name, expects to repeat its 1985-86 dividend for its fiscal to May 31 next.

For the past year, the dividend had been increased from SFr 17 to SFr 18 a sbare and participation certificate following a rise in net profits from SFr 10.7m to SFr 11.4m ($6.7m).

Y20bn issue by ECSC encounters strong demand

BY HAIG SIMONIAN

THE EUROPEAN Coal and Steel Community (ECSC) stoked the flames of a flickering Eurobond market yesterday with a Y20bn 5⅜ per cent 1991 issue, priced at 101¼. Led by IBJ International, tbe issue, which has been on the stocks for about three weeks, is the first in yen by any of the three original European supernational bodies.

Thongh yielding less than most five-year yen paper—tha new issue was priced through the recent yen deal for Sweden—the lead manager reported very good demand thanks to the borrower's rarity valne in yen.

There was some temptation to increase the size of the issue thanks to the strong placemant, said the lead manager, hut it was constrained by the linked swap into D-Marks. European institutions, particularly central banks wanting to diversify their portfolios, were active huyers, as were investors in Japan. The possibility of another Japanese interest rate cut early in the new year was also a spur.

The Norwegian Mortgage Association for Industry and Trade issued a DKr 300m 10¼ per cent bond due in 1992, priced at 100¼. The deal was led jointly hy Copenhagen Handelsbank and Den norske Creditbank.

LTCB International increased the $100m straight hond it led for Export Financc of Norway to $150m. Though tightly priced, the deals five-year maturity and the borrower's triple A rating appear to have gone down well with investors. The paper, which has sold strongly in New York as well as Japan, was being bid within fees by the lead manager at less 1½.

The secondary markets for both straight and floating rate Eurodollar issues were very quiet yesterday. The size of colleagues' hangovers after seasonal syndicate parties seems more a talking point among dealers than data about new issues.

In the secondary market for Swiss franc issues prices were a shade easier in reasonable volume. The SFr 165m 5 per cent bond for General Motors closed its first day's trading at 101 against a par issue price. It has been some time since a new straight bond in Swiss francs bas made its debut above par.

The SFr 300m equity-linked issue for Standard Chartered closed at 98½ on its first day against a par issue price. The SFr 178m issue for Alcan reversed its previous course to close the day up ½ point at 94.

Bondholders in the SFr 150m convertible issue for People Express have accepted Texas Air's offer to buy back their paper at 65 per cent of its nominal value Arbitrage interest. Arbitrage interest, however, has failed to budge te present price above 53.

New chairman for IPMA

MR ARMIN MATTLE, managing director of Union Bank of Switzerland (Securities), is taking over from Mr John Sanders as chairman of the International Primary Market Association (IPMA), the organisation which provides recommendations on market practices in Eurobond new issues to member houses active in the market.

Mr Sanders, who was recently appointed chairman and chief executive of Orion Royal Bank, has presided over IPMA since its formation in December 1984. IPMA has 55 member firms, and the criterion for entry is to have run the books on six new issues in the last two years.

During the period of Mr Sanders' chairmanship, IPMA has produced 11 recommendations aimed at improving disclosure when lead-managers syndicate new deals.

Brierley joins NZ banks in international venture

BY DAI HAYWARD IN WELLINGTON

BRIERLEY INVESTMENTS, Mr Ron Brierley's New Zealand master company, has joined Bank of New Zealand and Fay Richwhite, respectively the country's leading commerical and merchant banks, in forming an international banking and trust group called European Pacific Investments (EPI).

Its chairman is to be Mr David Richwbite, who is joint chief executive of Fay Richwhite, the group behind New Zealand's so-far successful America's Cup yachting challenge. He claimed yesterday that the new bank "will take on the world and hopefully be another winner." EPI was listed on the Luxembourg Stock Exchange yesterday and will also gain a qnotation in New Zealand.

The company has paid-up capital of US$50m. The three partners will each hold 28 per cent, with the balance in public hands.

An initial profit of at least NZ$10m (US$5.2m) over a seven-montb period to June 1987 is predicted.

The bank will operate in Europe, Asia and the Pacific Rim countries. It will provide specialist hanking facilities for international transactions, including advice and finance for takeovers. The bank will undertake trust and corporate management and will bave an investment arm hased in Hong Kong.

EPI bas acquired European Pacific Banking Corporation, the joint venture set up in the Cook Islands earlier this year by Brierley Investments and Capital Markets, the Fay Richwhite offsboot which is the vehicle for the venture.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DOLLAR WIPES £31M OFF PROFITS

Grand Met exceeds forecasts

BY PHILIP COGGAN

Grand Metropolitan, the food and drinks group, yesterday dismissed bid rumours and announced pre-tax profits 11.2 per cent higher at £386.1m (£347.3m), including a £10.3m benefit from reduced pension contributions. The first announcement since the appointment of the new chief executive, Mr Allen Sheppard, revealed that the increase was achieved despite the pound's strength against the dollar which wiped £30.6m off the profits figure.

Sir Stanley Grinstead, chairman, said that although there had been much press speculation about bid approaches from Mr Alan Bond and Mr Charles Knapp, the group had noticed nothing alarming in its share register.

All the UK divisions increased profits with the best performance coming from foods, which increased trading profits on continuing businesses from £24.6m to £39m. This was despite problems suffered by the Ski yogurt and Eden Vale brands which were hit by the move towards own label yogurt brands in supermarkets.

In the brewing division, overall volumes increased by 2 per cent thanks largely to increased sales of Fosters lager and Budweiser beer. Bitter sales were stagnant. The division's profits on continuing activities rose from £78.3m to £94.1m. In the course of the year, Grand Met sold its European brewing interests and bought Ruddles, the regional brewer for £14.2m.

UK consumer services benefited from a strong performance by Mecca bookmakers and an improved contribution from the casinos. Retailing and contract services also increased profits, by 20 per cent and 66 per cent respectively. The division's trading profit on continuing businesses rose from £64.6m to £80.5m.

The US performance was rather more chequered thanks to a poor performance by Pearle, the optical retailer, which is concentrated in the depressed oil-producing regions and disappointing results from DP, the fitness equipment group. After the end of the financial year, Grand Met disposed of its cigarette business, Liggett, for $137m.

In the international division, hotels were badly hit by the terrorism and Chernobyl scares, although occupancy rates were beginning to recover by the end of the financial year. Trading profits were down by 19.1 per cent to £30.4m. In June, Grand Met rejected a $900m bid for its hotels from Trafalgar Holdings. Wines and spirits increased its profits by 11 per cent in dollar terms and the division has recently acquired the Sambuca Romana brand and the US distribution rights to Amaretto.

Total sales for the group were £5.29bn, down from £5.59bn because of the disposals programme and trading profits were up at £487.4m from £453.2m. After the interest charge of £101.3m (£105.9m) and tax of £88.4m (£76.4m) after tax profits were £297.7m (£270.9m). Minority shareholders' interests were down at £3.3m (£4.2m). Extraordinary losses from closures and disposals were £33.5m (£5.9m credit) leaving earnings higher at 34.7p (31.9p).

The interim dividend is being increased to 4p (3.636p).

See Lex

Clean bill of health for Johnson Matthey

By Stefan Wagstyl

Johnson Matthey, the precious metals group which was brought to its knees two years ago by the financial difficulties of its former subsidiary Johnson Matthey Bankers, has been given a clean bill of health by its bankers.

The company announced yesterday that, 18 months ahead of schedule, it had repaid its loans under a multi-bank financing agreement signed in August 1985.

In its place the group has signed new bilateral agreements with 10 banks.

The switch from a multi-bank agreement, which replaced an emergency deal struck after JMB was taken over by the Bank of England in October 1984, is an indication that banks are now prepared to treat Johnson Matthey as a normal corporate borrower.

Mr Eugene Anderson, chief executive, said: "The new financing arrangements are with our principal bankers who, together with us, have given Johnson Matthey much appreciated support during its recovery.

"These agreements will reduce financing costs and mean that we have returned to voluntary, competitive and committed banking relationships."

The group is drawing £162m under the new facilities which total £270m for unsecured medium-term cash and precious metal borrowings.

Since October 1984, Johnson Matthey has cut borrowings by over £300m, by increasing financial controls, running its operations to generate as much cash as possible and making disposals.

Profits are also recovering sharply. Earlier this month the company announced a 196 per cent rise in pre-tax profits to £21.6m for the six months to September.

Guinness Peat shares fall on marginal profits rise

BY DAVID LASCELLES

Guinness Peat Group, the financial services concern, suffered a number of setbacks in the year ending September 30 which left it with a modest increase in pre-tax profits of 2.5 per cent. But the company increased its dividend beyond forecast.

GPG shares closed at 87p, down 7p, following market disappointment with the results.

An exceptional item of £3.6m, GPG's pre-tax profits were £18m, up from £17.6m last year. The item related to a provision made against its property portfolio. GPG carried out a review after selling a portion of the portfolio to the former management of Guinness Peat Properties.

Profits also reflect the impact of provisions made against loans and facilities in Guinness Mahon, the group's Irish merchant banking subsidiary, where new management was installed during the year to reshape the business.

The group's insurance broking subsidiary, Fenchurch, suffered a decline of £1.5m in income because of the weakness of certain foreign currencies, notably the Australian and US dollars. The Australian business has since been sold at a profit.

Apart from these problems, GPG's investment banking and insurance broking operations did well. The group's 23 per cent-owned aircraft leasing company, Guinness Peat Aviation, increased profits from £2.8m to £8.6m; during the year it tripled its capital base.

GPG made a pre-tax profit of £11.2m on the sale of its stake in Britannia Arrow, the unit trust group it tried to take over a year ago. Since then, GPG has bought Forstmann-Leff, a US investment management concern, and is expected to announce a further US acquisition shortly.

Next week, the group will be launching Henderson White Jenkins, its new securities business formed from Henderson Crosthwaite, the London stockbrokers, and White & Cheeseman and S. Jenkins, two small stockjobbers.

The total dividend for the year is 2.375p, up 25 per cent from 1.9p last year. This is higher than the 2.25p forecast at the time of the Forstmann-Leff purchase, and reflects the board's view that the US company will provide the group with a healthy profit stream in the years ahead.

See Lex

Rugby pays £21m for US companies

By Clay Harris

Rugby Portland Cement is more than doubling its US joinery distribution business by buying two companies for a total of $29.5m (£20.6m) cash.

The building products group is acquiring V. P. Winter Distributing Company of Taunton, Massachusetts, and Chupik Corporation of Temple, Texas. The two companies had combined assets of $5.6m at August 31 and operate a total of 17 warehouses.

Winter, which trades in the north-east US, made pre-tax profits of $4.1m in the nine months to August. It will add about $90m in annual sales.

Chupik reported nine-month profits of about $500,000 in spite of the building recession in Texas. Rugby said yesterday that it was taking a long-term view of the resilience of the state's economy, independent of the fortunes of oil.

Chupik, with annual sales of $30m, will be integrated with Addison, Rugby's existing Atlanta-based joinery business which has a turnover of $80m. Winter will operate as a separate unit.

Morgan Crucible's £14.3m buy

BY TERRY POVEY

Morgan Crucible is to acquire Laser Diode of the US for a total consideration of $20.5m (£14.33m) to be fully satisfied by a vendor placing of 4.87m shares at 295p.

Laser is a producer of gallium arsenide crystal material, a key material for use in LED displays, electro-optics and high speed micro-chips. In the year to September, Laser Diode, a subsidiary of M/A-Com Inc, made net profits of $1.2m before non-recurring items of $670,000 on sales of $10.8m. Net assets as of the year end were $12.4m.

Dr Bruce Farmer, Morgan Crucible's managing director, said that Laser Diode's activities fitted well with the silicon technology developed by Centronics, a Morgan subsidiary, in the UK and shared a similar customer base. No earnings dilution was expected as a result of this acquisition he said.

The shares being issued for the purchase are being Placed by bankers Morgan Grenfell. However, Goldman Sachs and Sanyo International will be privately placing a proportion of the shares with Japanese investors. Morgan Crucible recently made a number of successful presentations in Japan. Cazenove and County Securities are acting as brokers to the issue.

Clyde lifts Buchan Field stake

BY LUCY KELLAWAY

Clyde Petroleum, the UK independent oil company, yesterday announced plans to buy a 9.24 per cent stake in the Buchan Field from Texaco North Sea.

The stake, for which Clyde will pay $10m (£7m) in cash, is the latest in a succession of North Sea blocks to have changed hands in recent months. Earlier this week Enterprise agreed to take on all the oil assets of ICI, while last month BP, which operates the Buchan field, negotiated the purchase of a similar stake from Sulpetro, a Canadian company.

Clyde already has an interest in Buchan, and following the purchase of the Texaco stake it will have 22 per cent of the field. The sale forms part of Texaco's programme of disposing of its smaller, peripheral North Sea interests.

Since Buchan came on stream in 1981 it has produced 50m barrels of oil out of total reserves estimated by BP at 75m. However Mr Colin Phipps, chairman of Clyde said yesterday that the reserve estimate was conservative, and that the acquisition would give shareholders "excellent exposure to increased reserves and any improvement in oil prices."

Clyde, which in August bought for shares the oil assets of the Norwich Union, will this time finance the deal from its own resources. The NU acquisition brought in cash of £.75m, and Clyde said yesterday that it had raised a further £.6m from selling its stake in Berkeley Petroleum, for which it mounted an unsuccessful bid last month.

TOPS ESTATES (property investment) improved its pre-tax profits from £34,000 to £121,000 in the six months to September 30 1986. No interim dividend is again being paid. Rental income was considerably higher at £852,000 (£326,000).

Ward White wins battle for LCP

BY NIKKI TAIT

Ward White, the acquisitive retailing group, yesterday won its £170m bid for LCP Holdings after LCP directors bowed to the inevitable and withdrew their opposition to its revised offer.

Ward White's advisors, Morgan Grenfell, immediately went back into the market at lunchtime and by the close had raised the Ward White stake in LCP to around 50 per cent. Acceptances in respect of 0.7 per cent of the shares give it control.

Just over a week ago, Ward White's stake stood at 8 per cent. It then revised its bid terms, adding some £30m to the value of the offer and has subsequently bought heavily. By Wednesday's close, its holding stood at 42.8 per cent.

In yesterday's statement, the LCP board said it had noted the level of share purchases made by Ward White and felt it could no longer recommend shareholders to reject the offer.

Mr Philip Birch, chairman of Ward White, said he welcomed the announcement and described the meeting between the two sides yesterday morning as "constructive and positive."

Directors of LCP were also talking yesterday to a possible backer about a buyout of the operations. Their advisors, Schroders, stressed that the talks were at an early stage, but added that the company had discussed a potential buy-out with Ward White and understood that it would consider a proposal from management alongside any other offers received.

Ward White's principal interest in LCP is the latter's American car-parts retailing chain, Whitlock. Mr Birch indicated early in the bid that he would be looking to dispose of the UK businesses—which include a £54m property portfolio and a coal distribution business in the West Midlands—if the offer was successful. Last year, trading profits from the UK operations were £3.6m—just under 50 per cent of the group total.

Yesterday, Ward White shares strengthened 3p to 281p, while LCP gained 1p to 197p.

Abaco buys 55% of Mortgage Systems

Abaco Investments, the financial services group, is paying up to £6.2m for a 55 per cent stake in Mortgage Systems (MS), which administers mortgage portfolios for insurance companies and banks.

This is Abaco's eighth acquisition this year and comes a week after it announced it was buying Hampton & Sons, a central London estate agents for up to £15m.

MS made a pre-tax profit of £421,000 in the year ended March 1986. It employs 85 people and with a mortgage portfolio worth £220m under management believes it is the largest company in this field.

It verifies the status of mortgage applicants, provides quotations, arranges valuations and monitors payments.

Abaco will pay £3.9m and up to £2.3m in its own shares. It will make an initial payment of £4.2m and two further instalments of up to £1m each if profits exceed £1.7m in the two years ending March 1988 and £1.64m in the year ending March 1989.

Local London £5m acquisition

BY ALICE RAWSTHORN

THE Local London Group, a property developer which went public on the Unlisted Securities Market in September, yesterday announced proposals for the acquisition of the privately-owned property company, Wentog, for £4.5m in shares and unveiled interim profit of £530,000.

Wentog owns two freehold properties in the Covent Garden area of London, recently valued at £2.25m. Local London intends to convert these properties into business centres. Wentog also holds liquid assets worth £2.25m. Local London intends to use this capital to develop two sites it has recently purchased in Hammersmith and Putney.

"It has been our aim for some time to expand our activities in the Covent Garden area," said Mr Graham Bourne, joint managing director. "Properties in that area are very difficult to find. This acquisition will enable us to develop two substantial properties."

The acquisition will be funded by the issue of 1.5m new ordinary shares in Local London. These shares will be placed by the company's stockbroker, Greenwell Montagu Securities, at 280p each.

Local London's shares remained unchanged at 300p yesterday. The proceeds of the placing, together with £300,000 in cash, will provide the total consideration of £4.5m.

In the six months to June 30 Local London produced profit of £1m (£81,000) before tax and an exceptional item of £473,000 (£273,000) which represents the remuneration to the company's two controlling directors before the flotation.

Pre-tax profit rose to £530,000, compared with a loss of £192,000 previously.

The directors intend to pay a dividend of at least 3p at the end of the financial year.

HARDYS & HANSONS increased its pre-tax profits from £3.43m to £3.67m in the 52 weeks to October 3 1986 on turnover (excluding VAT) up from £19.62m to £20.25m. The total dividend is raised from 16.9p to 18.7p with a final of 13.1p (11.9p). Stated earnings per share improved from 38.77p to 45.47p.

Windsor Securities expands

Windsor Securities (Holdings), Lloyd's insurance broking group, lifted its pre-tax profit from £47,670 to £161,834 in the year ended September 30 1986. Group income rose from £709,000 to £2.49m.

Mr John Carr, chairman, said during the year solid progress had been achieved. Substantial amalgamation and restructuring costs were absorbed.

Last month the company completed the acquisition of Lyon Jago Webb and Lyon Lohr (Life and Pensions). Further acquisitions were envisaged, the chairman reported. Two negotiations were well advanced and, if concluded, would complement and expand the insurance broking activities.

Earnings for the year were up to 1.108p (0.005p) per share, and the final dividend is 0.5p for a net 0.7p total (0.65p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Aspinall	6	Apr 3	6	6	6
Bankers Inv ...4th int	1.06	—	1.1	2.86	2.6
Bradstock Gp	3.75	Apr 7	5.3	3.75	7.5
Brown Tawse ......int	2.2	—	2.2	—	7.2
Danae Trust ......int	2.31	—	2.1	—	5.25
Electric Gen ......int	2.1	—	1.85	—	4.5
Grand Met	6.25	Jan 31	5.45*	10.25	9.09*
Guinness Peat	†1.48	—	1.1	2.38	1.9
Irish Ropes	††1.15	—	2.1	4.56	2.1
Kleinwort Charter ...	1.78	—	1.53	2.6	2.32
LMS ......int	0.8	Feb 7	0.75	—	2.55
Macarthy	‖4	Apr 6	—	13.5‖	8.2
Marston Thompson int	0.78	—	0.7	—	2.24
Reliable Props	3.25	—	2.25	4.5	3.5
J. Rothschild Hldgs int	2.5	Feb 2	2.2	—	5
Rush Tomkings ...int	2.75	—	2.2**	—	10.65**
Speyhawk	7.48	Jan 30	7	10	9.52
TSB Group	¶1.07	—	—	1.07	—
Watson Philip	†4.8	Feb 27	4.1	6.8	5.8
Windsor Secs	0.5	—	0.1	0.7	0.65

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ As forecast in prospectus. ‖ For 17 months. ** For 15 months. †† Irish pence throughout.

Coloroll in £31m agreed bid for Fogarty

BY DAVID GOODHART

Coleroll, the fast-growing home fashion group, has made its largest acquisition to date paying £31m for the quilt and dovet maker Fogarty.

The agreed deal — which went over 50 per cent yesterday aftrnoon — strengthens the textiles-based home furnishings division of Coloroll following the £13.5m acquisition of ceramics company Staffordshire Potteries six months ago.

Coloroll is now the largest UK fashion manufacturer aiming to provide "one stop shopping" to major retailers in wallcovberings, ceramics and textiles.

It is expected to continue on the acquisition trail in these fields and many analysts expect a very large acquisition — probably in textiles — within 18 months.

Mr Philip Green, Coloroll development director, said that the acquisition of Fogarty had come earlier than expected because of the incorporation of Staffordshire Potteries had run so smoothly.

Fogarty has many similarities with Staffordshire—both have been family controlled public companies with strong brand names and high market share.

Fogarty, which claims about 30 per cent of the quilts and pillows market, is based in Lincolnshire and 40 per cent of the share capital has been controlled by Mr Robert Fleet and Mrs Carol Lee.

About 37 per cent of the family stake has been pledged to Coloroll and Mr Fleet will join the Coloroll board. Coloroll is offering 69 of its shares for every 100 Fogarty with a cash alternative of 157p per share.

Full acceptance of the offer will mean the issue of another 13.6m new Coloroll shares—about 20 per cent of the enlarged share capital.

Coloroll had ben planning to spend about £10m on a greenfield textutile development before deciding to bid for Fogarty. The company has a textile manufacturing capacity but no printing facilities which will be added by Coloroll at a cost of £2m.

Fogarty made pre-tax profit of £2.9m on turnover of £40m in 1985 but is forecast to slip back to £1.4 mpre-tax profit this year and £2.8m next. The acquisition has ben made on a p/e of about 16 but Coloroll is confident there will be no dilution.

Pearson's US paperback purchase costs $65.5m

BY MARTIN DICKSON

Pearson, the publishing, banking and industrial group, yesterday confirmed that it is buying New American Library (NAL), a leading US paperback publishing house, from a group of investors, and announced that the purchase price would be $65.5m (£46m).

Pearson—which owns the Financial Times — said on September 30 that it had agreed in principle to buy NAL, but did not disclose financial details of the deal, which marks a major expansion in the US by its subsidiary Penguin.

Yesterday, Pearson said the agreement was now unconditional and it would pay for NAL through a vendor placing of 8.5m shares at 538p a share, giving rise to a 4.3 per cent increase in its share capital.

NAL, which gives Penguin a major paperback presence in the US for the first time, had sales of $107.7m in 1985 and made an operating profit of $10.6m. In the first nine months of this year the operating profit was $6.3m, before interest of $4.5m, and other charges of $1.9m, neither of which would arise under Pearson's ownership.

NAL's management estimated that its operating profit for 1986 would be $7.5m. Net assets totalled $56.1m on September 30, including $20m of intangibles.

Rush & Tompkins sell-off

Rush & Tompkins, the London-based international property and construction group, has sold most of its investment property portfolio to Priest Marians Holdings, the property investment and development company, for £32.03m. Rush also announced yesterday interim pre-tax profits for the six months to September 30 up 15.7 per cent at £1.49m, compared with £1.28m for the six months ended June 30, 1985.

Priest will make an immediate payment of £28.53m on completion of the deal with three annual deferred payments totalling £3.5m to follow. The properties have been independently valued at £36.04m and currently generate gross annual rental income of £2.95m.

Rush and Priest intend to jointly carry out several projects with Priest providing design capability and Rush & Tompkins the construction work.

Turnover of Rush in the six months to end-September, totalled £73.96m (£57.1m). The interim dividend is increased to 2.75p (2.2p) on earnings per share of 9.9p (9.7p).

Bowater expands in US

Bowater Industries, the packaging and builders merchants supplier which sold its UK paper businesses earlier this year, yesterday announced a further expansion of its US activities with the purchase of Pacur of Oshkosh, Wisconsin, for an initial payment of $13m (£9.1m).

Further payments up to a maximum of $4m will be paid depending on Pacur's profits performance over the next three years.

Pacur operates in the plastics business and is an established custom extruder of cast film. The latter's principal applications are for convenience food and medical and pharmaceutical packaging.

Pacur will form part of Bowater's growing US interests along with StarTex Corporation, acquired in January, and Camvac.

The President of Pacur, Mr Ron Johnson, will remain with the company, which Bowater expects will make pre-tax profits of $1.9m on sales of $14m in the year to December 31.

Mr Cyril Washer, Corporate Public Affairs Manager at Bowater said yesterday that the company was seeking further acquisitions in the plastics, packaging and builders merchants fields, with particular emphasis on expansion in the US.

Jas. Neill £13.2m fire claim settlement

James Neill Holdings, the engineering group, has reached a final settlement with its fire insurers of £13.2m arising from its claim for damage and losses caused by a fire at the Neill tools factory in Sheffield.

The settlement comprises £2.5m for stock replacement, £5.1m for replacement and repairs of machinery, £1.5m for increased working costs and £4.1m for loss of profit. Interim payments of £4.35m have already been received and the balance should be paid by the end of the year.

When James Neill reported its interim figures for the six months to June 30, the fire at Neill Holdings was partly responsible for pushing pre-tax profits down from £2.5m to £523,000. Its shares climbed 28p to 180p yesterday.

ELIZA TINSLEY Group (agricultural machinery): Interim dividend 1p (same) for half-year to September 30 1986. Turnover £4.48m (£4.3m) and pre-tax profits £295,000 (£292,000). Earnings per 5p share 2.56p (2.19p).

Pilkington sells Rockware stake

BY TONY JACKSON

Pilkington's 18 per cent stake in glass bottle makers Rockware has been placed with City institutions for £5.5m.

Mr Peter Grunwell, finance director of Pilkington and also a director of Rockware, said "we had identified in our strategy earlier this year that we weren't going to be involved in the container industry." The sale had no connection with the hostile bid for Pilkington from BTR. "I was about to agree this the day the BTR bid landed." Mr Grunwell said.

Sir Peter Parker, chairman of Rockware, said "Pilkington have been very good friends, and we welcome this move, which has been with our understanding and approval."

The deal raises speculation that Rockware, which has ambitions to diversify further from the troubled glass bottle industry into plastic packaging, aims to go to shareholders for further capital. Mr Grunwell said "we made it clear we would not be willing to invest any more money in Rockware, since it was not part of our core strategy.

"It was a question of the right time to sell," he said, "but only to people who were totally acceptable to Rockware." The stake was acquired by Pilkington in the mid-1970s, but the group had not gone on to develop a further interest in round glass. The stake was "neither one thing or the other," Mr Grunwell said.

The share placing was undertaken by Alexanders Laing & Cruickshank, one of whose partners, Mr Henry Poole, is also a director of Rockware. A total of 4.27m ordinary shares were placed at 49p, a 5p premium to the market, and 1.73m second preference shares were sold at 196p.

LWT's gain in TV media stakes

BY ALICE RAWSTHORN

London Weekend Television became the third largest independent television company in terms of advertising revenue in the year to October 31, its chairman, Mr Christopher Bland, told the company's annual meeting yesterday.

Traditionally LWT has taken the fourth largest share of network revenue, behind Thames, Central and Granada. In the year to the end of October the station increased its share of both national revenue and of revenue within the London area —where it competes with Thames—said Mr Bland. Accordingly LWT has now moved into third place replacing Granada.

In its last financial year, to July 27, LWT secured 10.75 per cent of national ITV revenue, which is expected to be worth almost £1.2bn this year. Specific figures on revenue shares are generally only released by the companies at the end of financial reporting periods, although Mr Bland is considering ways of issuing LWT's share figures on a more regular, possibly on a monthly, basis.

Over recent months the television companies have enjoyed a buoyant advertising market, boosted by a stream of financial advertising campaigns for share issues such as the Trustees Savings Bank and British Gas. Revenue growth has now settled down to relatively less hectic levels, but is still running well ahead of retail price inflation.

Bremner breaks off talks with CWF

BY CHARLES BATCHELOR

Bremner, the controversial property group headed by Mr James Rowland-Jones, has broken off merger talks with City & Westminster Financial (CWF), a small corporate finance company with which it has been negotiating for the past three months.

Previously amicable discussions between the two sides dissolved into a bitter row yesterday with Bremner attempting to oust Mr Andrew Greystoke, head of CWF, from its board and CWF responding with an attempt to unseat Mr Rowland-Jones as chairman.

Mr Rowland-Jones said the talks had broken down because CWF wanted too many boardroom seats for its representatives and because CWF had proved to have fewer assets than had originally been expected.

The original plan had been for Bremner to acquire CWF for shares. This would have given CWF more than 30 per cent of Bremner and triggered a mandatory cash bid from CWF for Bremner. CWF would then have had a public listing with which to pursue its ambitions.

However, following an independent auditors' report which valued CWF at only £350,000 Mr Rowland-Jones said he would recommend shareholders to accept the CWF cash offer rather than remain with the merged company.

Mr Rowland-Jones said he doubted whether CWF would have the funds if a large number of Bremner shareholders accepted the cash offer. "CWF is trying to go for something too big," he added. "I doubt whether they have got the money."

Mr Greystoke, however, said he was "absolutely staggered and totally mystified" at Bremner's decision to pull out. He denied attempting to impose conditions on remner.

JACKSONS BOURNE END (Manufacturers of components, expanded polystyrene products and insoles): Interim dividend 2p (same) for 28 weeks to October 11 1986. Manufacturing turnover was £2.46m (£2.87m) and rental income £122,000 (£116,000). Pre-tax profit £70,000 (£205,000): tax £24,000 (£82,000) and there was an extraordinary debit of £967,000 (£320,000 credit). Earnings per share were 2.2p (5.8p).

Lower oil prices halve LMS profits to £4m

London Merchant Securities yesterday announced pre-tax profits for the six months to September 30 1986, halved from £8.32m to £4.12m.

The fall largely reflects the downturn at Century Power and Light arising from the decline in oil prices. The latter remains volatile, but Lord Rayne, the chairman, said it was hoped that recent improvements would produce better results in the second half.

LMS is a holding company with interests mainly in oil and gas exploration and production, commercial property development and investment in leisure enterprises.

Its net rental income for the period rose from £6.3m to £7.42m. From its trading activities oil and gas incurred losses of £921,000 (£4.36m profits), and other activities losses of £234,000 (£43,000 profits). Last time property contributed £166,000.

Investment income was slightly lower at £1.12m (£1.26m), while administrative expenses fell to £953,000 (£1.45m), and interest charges to £2.88m (£2.77m).

Although earnings per share were substantially down at 0.98p (2.27p) the interim dividend is raised to 0.8p (0.75p). A total of 2.55p was paid in 1985-86 when pre-tax profits were £17.21m.

The chairman said that First Leisure, a related company, achieved excellent results for the 26 weeks ended May 4 1986, and continued growth was expected for the full year.

The last orders of Multimedia Publications (UK) were being printed, and the company had contracted out management of the backlist, the value of which was uncertain.

Rental income from investment property continued to grow, and group profits for the second half were expected to be similar to the £8.89m achieved last time.

Tax took £1.53m (£3.76m), and minorities £1.02m (£936,000). There was an extraordinary loss of £511,000 arising from the investment in Multimedia.

● comment

IC Gas had already indicated the problems at Century Power and Light, where LMS has a 29.4 per cent stake, and the decline in oil price duty took a heavy toll on LMS' bottom line. Not that LMS has lost its enthusiasm for the oil sector—it restructured its interests in July acquiring 16.45 per cent of Carless, Capel in the process. But with the trading and extraordinary losses at Multimedia effectively ending that investment, the First Leisure stake and the rental income had to carry the first half profits. Neither is expected to produce a dramatic increase in the second half and the prospects are still heavily dependent on the future direction of the oil price—if things get no worse, then LMS should make around £13m for the full year, putting the ordinary shares at 59p on a fully diluted prospective p/e of 24. Those wanting to take a punt on the oil price will probably find better prospects.

Slough pays near £15m for holding in Bredero

By Paul Cheesright, Property Correspondent

Slough Estates, the biggest industrial property development group in the UK, yesterday moved decisively into the retail market by paying £14.57m to buy a 49.5 per cent stake in *Bredero Properties.*

The purchase triggered a formal bid for the whole capital of Bredero in accordance with the City takeover code, but both Slough and Bredero stated their intention to maintain the Bredero stock market quotation, indicating indefference on the part of Slough as to whether it should be accepted on the part of Slough as to whether it should be accepted or not.

Following a Slough purchase on the market of shares to bring its stake to 50.000 per cent, the offer became unconditional.

The Dutch group has recently been facing heavy losses and decided to sell its stake to Slough after a City broker had brought the two together.

Slough paid 145p for each Bredero shares, the same price as that at which Bredero shares were offered last June. The price is at a 31p premium to the net asset vaue of Bredero shares. On the market yesterday the price closed at 141p.

Brokers were expecting, in the face of a Bredero board intention to shareholders not to sel, that the formal offer from Slough would probaby meet a 10 per cent response.

Slough itself was attracted to Bredero by its inner city expertise.

The group has a property portfolio with a book value of £770m, but over 70 per cent of it is linked to institutional uses with retail interests taking a tiny 1.5 per cent.

Macarthy improves to £6.06m

DESPITE a period of reorganisation and rationalisation, Macarthy, wholesale and retail chemist and formerly Macarthys Pharmaceuticals, turned in taxable profits of £6.06m for the 17 months ended September 30 1986, compared with £4.06m for the previous 12 months.

The directors said that in the interim statement in July, reference was made to the steps being taken to reorganise the group to improve efficiency and profitability. Much progress had been made since then, they pointed out.

From earnings per 20p share up from 16.2p to 27.9p at the end of the 17 months—after tax £2.33m (£1.89m)—directors are paying a third and final dividend of 4p making a total of 13.5p (8.2p for 12 months).

External sales for the period totalled £379.2m (£285.7m), of which manufacturing and distribution contributed £361.8m (£73.5m), and with pre-tax profits, were divisionally split as to: pharmaceutical manufacturing £10.37m (£7.01m) and £1.23m (£576,000); pharmaceutical distribution £285.19m (£224.39m) and £3.14m (£2.7m); surgical £27.83m (£19.63m) and £896,000 (£734,000); veterinary £38.4m (£22.42m) and £1.2m (£625,000); retailing £39.78m (£27.8m) and £1.04m (£494,000).

Farillon, the UK's leading specialist pharmaceutical distributor, is performing well, having moved to new and larger premises to accommodate anticipated expansion, the directors said, while the surgical division was showing encouraging results and wonld further benefit from measures to streamline Macarthy Medical's hospital supplies business.

The manufacturing division had made further progress while in the veterinary division, Willington continued to show volume growth and increasing market share.

Below the line there were extraordinary debits for the period of £6.29m (£1.21m).

Dealing profits lift J. Rothschild

J. Rothschild Holdings, the investment company, unveiled pre-tax profits up by 139 per cent from £27.6m to £65.9m in the six months ended September 30 1986.

Earnings per share emerged at 11.5p (4.5p) and 18.2p (7p) including investment holding portfolio gains and extraordinary items. The interim dividend is increased from 2.2p to 2.5p net per share.

The directors stated that present conditions were unsettled, *particularly in the financial sector*, but they believed the strong balance sheet and the flexibility of resources positioned the company well for the future.

In the last six months it was decided to reduce the company's exposure to unsettled stock markets by realising a significant proportion of unrealised profits in the dealing portfolio carried forward at March 31 1986. As a result the reserve of unrealised dealing profits had been reduced to £38.3m at September 30 1986 from a level of £98m at March 31 1986.

This reduction of £59.7m was the major contributor to realised dealing profits of £71m. That level of profit should not therefore be taken as a basis for extra profit for the year and should be regarded as exceptional. At November 30 1986, the unrealised profit on the dealing portfolio had risen to £52.6m.

At the operating level £86m (£28.2m) was contributed by the parent company and its subsidiaries but there was a nil (£13.2m) contribution from related and associate companies this time.

An analysis by activity showed investment holding profits virtually unchanged at £14.5m on capital employed of £611.6m (£14.6m on £382m), *investment dealing £71m* on capital of £377.2m (£12m on £287.3m); and financial services £1.8m on £25.7m (£1.3m on £25.4m). Discontinued activities contributed £1.2m (£17.3m). Central interest payable was £20.1m (£13.8m).

Net assets at September 30 1986 amounted to 171.5p per share compared with 126.7p a year earlier and 163.5p as at March 31 1986. At November 30 1986 the nav had rise to 179.5p. Between April 1 and September 30 1986, JRH bought in 12.1m of its own shares at a cost of £15.2m. Since the end of September 1986 a further 18.6m shares costing £24.1m have been purchased making a total of 102.2m shares so far acquired.

Under Stock Exchange rules JRH may purchase a further 12.6m shares before February 8 1987. From then until September 30 1987 an additional 22.8m shares may be purchased under the authority granted by shareholders at the last agm. It is proposed to continue acquiring shares et appropriete discounts to net asset value per share for the benefit of continuing shareholders.

JRH retained several unquoted investments, including Anglo Leasing, which continues to make excellent progress. Profit before tax for the period under review was £2.1m as compared with £2.9m for the whole of 1985-86. The possibility of obtaining a stock market quotation for Anglo Leasing in 1987 was being considered. The market value could significantly exceed the present carrying cost of £20.2m for that investment.

Last year JRH invested $50m in a partnership formed to acquire Crown Zellerbach, the San Francisco-based forest products company. Following the reconstruction of that company, $37.1m of the original investment was repaid, leaving JRH with a 12.6 per cent interest in the partnership which owned 1.9m acres of timberland and certain other assets. It was proposed for the time being to continue this investment at cost.

See Lex

Burgess buys Swiss company

BY CLAY HARRIS

Burgess Products is to become Europe's leading manufacturer of microswitches with the purchase of Saia from Landis & Gyr, *the Swiss engineering* group.

The precision electrical and electronic compooents maker will fund the SFr 46m (£19.2m) acquisition through a three-for-four rights issue and medium-term Swiss franc borrowing.

Saia reported pre-tax profits of Fr 5.6m on sales of Fr 85.2m in the year to September. It supplies microswitches to makers of domestic appliances and to the motor industry.

The acquisition will bring Burgess into three new prodocts: impulse counters, programmeble logic controllers and synchronous and stepper motors.

Saie employs 700 people at two plants at Murten and Bulle, near Bern. Burgess approached *Landis* and Gyr *after the Swiss* group said it planned to rationalise its operations, in part by giving up components manufacturing.

Burgess is also buying for a nominal amount Landis and Gyr's half interest in Acir, French distributor of Saia prodocts. Saia will cootinne to use Landis and Gyr's international sales net work for et least two years, but Burgess will negotiate to buy distribution operations in the UK, West Germany and *North America.*

The rights issue will be et 170p and raise a net £16.2m. Burgess will finance the remaining FFr 7.2m (£3m) through medium-term borrowing arranged by Handelsbank. Lazard Brothers will be underwriters and de Zoete and Bevan brokers to the issue.

Burgess yesterday forecast an interim divideod of at least 0.75p (0.5p) for the six mooths to next February. Its shares fell 18p to 203p.

Superdrug improves to £9m

THIRD QUARTER profits of Superdrug Stores showed a virtual 20 per cent improvement at £3.71m and enabled the group to lift its pre-tax figures for the nine months to November 29 1986 *from £7.76m* to £8.9m, an increase *of* 15 per cent.

The nine months' results were struck after deducting interest charges of £483,000 compared with previous income of £255,000.

Turnover, excluding VAT, improved from £117.97m to £146.53m, an improvement of 24.21 per cent. Trading profits advanced by 25 per cent to £9.38m

New stores accounted for 15.2 (16) per cent *of* turnover growth and existing stores for 9.51 (5.5) per cent.

Tax for the nine months rose to £3.56m (£2.88m) and left the attributable balance £460,000 ahead at £5.34m.

Profits for the first six months rose from £4.66m to £5.18m and shareholders received an interim dividend of 2.3p (2p). They received a total payment for the 1985-86 year *of* 5p (4.2p) when pre-tax profits reached £10.36m (£8.74m).

Cambridge Instrument tops £2.6m

REFLECTING the acquisition of the Reichert Scientific Instrument business last May, the first half figures from Cambridge Instrument have soared. Turnover rose from £27.15m to £61m and the pre-tax profit from £1.4m to £2.51m.

The iotegration of Reichert was proceeding well, reported Mr Terence Gooding, chairman and chief executive. It was profitable and its performance was improving.

Another factor in the improved results was the benefits now coming through from the reorganisation of the UK industriel business, he said.

Cambridge is unqnoted. It intended to seek a listing, the chairman *stated*, and *continued* to keep that under review with advisers.

Earnings for the half year came to 4p (2.8p) per share after tax £1.13m (£349,000). The profit attributable, however, surged to £12.6m (£942,000) with the inclusion of an extraordinary credit of £11.2m, being the profit on the sale of ao overseas subsidiary with substantial property interests.

Benefit of tax losses brought forward have resulted in a low tax charge but that was likely to be reduced in future.

An interim dividend of 0.4p net is being paid at a cost of £137,000.

The scientific instrument business *continued* to be affected by the recession in the semiconductor industry. The market for edvanced lithography systems was good, but the market for crystal growth products was weak.

Brown & Tawse profits reverse

Brown & Tawse, the distributor of steel and pipeline products, was affected by the reduction in North Sea investment in the *six months ended September* 30 1986. Turnover is little changed at £51.74m (£51.43m) and pre-tax profits have fallen from £2.91m to £2.01m. The profit figure was additionally reduced by some £150,000 by reorganisation. costs in connection with both the divisionalisation of the gronp and the restructuring of newly acquired businesses.

The chairman, Mr S. D. Rae, said that in the company's main activity the distribution of pipeline products, demand remained steady, while, *at present there* were few signs of any significant overall improvement in demand, company was confident that, with the expected benefits from acquisitions, the group's prospects were favourable.

Operating profit for the six months was £2.51m (£3.42m); *interest* payable was £492,000 (£511,000) and tax charged £707,000 (£1.16m). Amortisation of revalnation reserve amounted to £38,000 (£39,000). Stated earnings per 25p ordinary were 6.0p (8.2p).

DANAE INVESTMENT Trust—In half year ended November 30 1986 net revenue £171,755 (£160,826) after tax £70,973 (£68,926) for earnings of 2.45p (2.29p) per share. Interim dividend 2.3075p (2.1p). Net asset valne per capital share 30.09p (19.4p). Decided to repay outstanding Swiss Franc loan.

Speyhawk profit rises to £6m

Following an increase from £1.2m to £2.11m at halfway, Speyhawk, property development and construction group, continued to expand end finished the September 30, 1986 year with taxeble profits up from £3.36m to £6.1m, e rise of 82 per cent.

Turnover for the yeer was slightly down at £40.94m (£41.84m). Profits were after allocating £23,145 to the group's employees share participatioo scheme but subject to tax of £1.95m, against £961,000.

On December 12 the group made en approach to Property and Reversionary Investments which could have led to e share offer for P & R but P & R decided on a proposed merger with Lynton Holdings.

Earnings per 10p share are shown as 25.4p (23.1) undilnted, while fully diluted they were 25p. The dividend is lifted from 9.52p to 10p with a final payment of 7.48p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—AIM, Greeway, Electric and General Investment, Fletcher Dennys Systems, Optometrica (USA), Sutcliffe Speakman, TR Trustees Corporation, Wellman.

FUTURE DATES

Interims—

Forminster	Dec 23
Radiant Metal Finishing	Dec 22
Sterling Industries	Dec 23

UK COMPANY NEWS

Aspinall profit hit by drop in high stake players

THE REDUCTION in oil prices and consequent fall in both the attendance of high stake players and the level of their business, is blamed by Aspinall Holdings for the fall in pre-tax profits from £15.66m to £7.31m in the year to September 30 1986.

Aspinall is a USM-quoted holding company which operates casinos and investment companies. In London the drop for the year declined from £146.4m to £114.7m. Although the decline in business was general in London, the directors said that Aspinalls was probably more affected than other casinos because of its emphasis on high stake players.

The gross gaming win percentage for the year was little changed at 15.2 per cent (15 per cent). The directors said that since the year end the volume of business had improved over the comparable period.

Total profits from gaming were down at £5.75m (£9.52m), and from finance down from £7.11m to £2.57m. The pre-tax result was struck after higher holding company interest and overheads of £1m against £969,000.

Tax was halved at £3.11m (£6.31m), to leave earnings per 10p share down from 18p to 8.1p. However, the directors are proposing an unchanged single final dividend of 6p.

They said that in Darwin business had improved significantly since the opening of the new Aspinall Room in June and completion of improvements to the rest of the casino and hotel.

During September the loss-making Alice Springs Hotel and Casino was sold. Since the year end the acquisition of the 50 per cent of Diamond Leisure previously owned by Aspinall's US partner, had been completed.

Directors said they were negotiating with a local Australian partner, and if successful, it was envisaged that Aspinall would own 75 per cent of the company operating the Casino, Diamond Leisure, and 60 per cent of the Territory Property Trust, which owns the Darwin Casino.

The loss for the year had not been included in the results due to the partial completion of the restructuring and arrangements for the Northern Territory Government to underwrite the Casino losses.

• comment

Aspinall's gaming profits have been almost cut in half and profits before tax were about the same proportion of analysts' expectations — we all know that the house always wins but this is no guarantee of earnings quality. Aspinall's costs have risen in spite of the lower take and although the gaming win has improved slightly it is still low in historical terms. Apparently few are those who choose to play but still more than usual are winners. The Australian clubs are still not contributing but are consuming cash—hence the sharply lower investment profits return — although Aspinall is convinced, as clearly are some City folk and overseas Chinese, that this is the gambling centre of the future. With 80 per cent of the stock in the hands of board members, half of this with Sir James Goldsmith, a narrow market seems assured. A move away from the caviar-and-champagne set is not likely to restore profits, so the shares, depressed at 110p, have limited bounce back ability until a rise in the oil price brings the big punters back to town.

Ferguson in £7.3m US expansion

By Steve Thompson

Ferguson Industrial Holdings, the Cumbria-based printing, packaging and plastics group is paying $10.5m (£7.3m) for an 80 per cent stake in Empery Corporation, a US group with broadly similar businesses to those of Ferguson.

The deal is being financed by a vendor placing of 2,652,997 new shares in Ferguson, which will raise approximately £6.8m, and a cash payment for the balance.

The share placing was carried out yesterday by brokers Alexanders Laing & Cruickshank at a price of 258p a share.

A further payment of up to $1.5m may be made in 1988 depending on Empery's profits performance for the year ended February 29 1988. Ferguson also holds a five-year option to buy the remaining 20 per cent of Empery for $3m, or, if greater, based on a formula of 30 per cent of nine times Empery's average pre-tax profits for the three financial years prior to exercise of the option.

Empery's pre-tax profits for the year to July 31 were $2.23m. Net borrowings, at the same date, were $5.8m and net tangible assets $4.7m.

Ferguson said yesterday that the US market for printed products was much larger, and growing faster than that for the UK. Ferguson offered Empery "technology benefits," Mr Michael Saint, Ferguson's finance director, said.

Ferguson's trading performance since the announcement of the interim results on October 23, continued to be strong, the company said, and the directors view the outlook for the current year with confidence. They expect to recommend a final dividend of not less than 5.9p net a share on the enlarged capital which would make 9p net for the year February 28 1987.

Gates says 'no'

Frank G. Gates, Ford main car dealer, yesterday advised shareholders to reject the 120p a share cash bid from Giltrap UK.

The bid from Giltrap UK, owned by New Zealand businessman Mr Colin Giltrap, valued Gates at £10m.

Bradstock profit up 66% despite some slowdown

THE RATE of profit growth slowed at Bradstock Group but this insurance and reinsurance broking business still showed an overall lift of 66 per cent for the year September 30 1986.

From turnover ahead 41 per cent to £9.94m, the pre-tax profit rose from £3.03m to £5.04m. The company's shares were placed in July 1985 and it paid a single 3.75p dividend for 1984-85.

For the latest accounting period there is a final of 5.3p for a net total of 7.5p. Shareholders will also receive a one-for-one scrip issue.

The directors said that for the current year the reinsurance and direct insurance sides of the business were estimating an increase in turnover. They expressed confidence that the group would expand further although at a slower rate than achieved in the past two years.

Profit in 1985-86 was struck after administration expenses £6.12m (£5.1m), and included investment and other income of £1.22m (£891,000)—in the previous year associates contributed £189,000.

Earnings worked through at 25.8p (14.5p) after tax £1.95m (£1.32m) and minorities £1,000 (£25,000). In addition there were extraordinary debits of £154,000 (£428,000).

In direct insurance the group benefited from hardening market conditions. Professional indemnity business continues to make a significant contribution.

Client base was well spread. The acquisition of W. E. McCluskey (Insurance Brokers) would greatly assist the development of business in Northern Ireland.

The reinsurance market continued to harden in most areas. Considerable progress has been made both in London and New York and its client base has expanded. The substantial rate increases of the past years would not continue, but reinsurance premiums were still, on the whole, remaining firm.

Acquisition in August of a majority shareholding in Bradstock Byrne and Partners would enhance presence in the reinsurance market and the directors anticipate continued growth particularly in marine reinsurance.

Marston Thompson hopes to maintain midway rise

FIRST-HALF figures from brewer Marston Thompson & Evershed showed that pre-tax profit improved by over 10 per cent to £5.87m following a 9 per cent rise at the trading level.

And given a reasonable Christmas the directors were hopeful of maintaining a similar profit growth for the full year to March 31, 1987.

Turnover for the six months ended September 30 rose to £37.25m (£35.88m). Volumes were marginally ahead, although North Wales had another particularly bad summer and that offset gains made elsewhere.

The directors said more houses had been taken under direct management and their contribution to the overall profits was becoming more significant.

Trading profit came to £5.77m (£5.3m) and the pre-tax balance at £5.87m (£5.32m). That included net interest received £9,000 (paid £121,000) and surplus on disposal of retail properties £96,000 (£141,000).

During the second half volumes had been much at the same level as last year, the directors said.

Earnings worked through at 4.46p (3.78p) per share and the interim dividend is lifted to 0.78p (0.7p) net. The tax charge was £1.98m (£2.03m).

Surplus of disposal of retail properties continued to reflect the difference between selling price and net book value, rather than selling price and depreciated original cost.

Depreciation charged on brewery, depot and short leasehold licensed premises and other fixed assets amounted to £1.49m (£1.3m).

Results of both years included Border Breweries (Wrexham) and S. K. Williams.

Watson & Philip lifts profit by 50%

WITH ALL divisions but one contributing, the Dundee-based Watson & Philip group of food distributors lifted its turnover by 31 per cent, and the pre-tax balance by 50 per cent to £1.66m in the 53 weeks ended October 1 1986.

Mr James Hadden, chairman, said the year had gone well for the group overall. In particular the cash and carries acquired in Edinburgh and Morpeth towards the end of the previous financial year were integrated successfully and made an excellent contribution to the overall profit advance.

Turnover came to £155.28m (£118.6m) and trading profit to £2.03m (£1.34m) including a doubled contribution from cash and carry. Earnings rose to 10.2p (8.3p) per share and the final dividend is 4.8p for a net total of 6.8p (5.8p), as forecast.

A split of turnover and trading profit showed: cash and carry £92.36m (£60.43m) and £1.09m (£507,000); catering £17.36m (£18.12m) and £340,000 (£375,000), the poor weather and reduction in American tourists hitting the core customers—restaurants and hotels; delivered grocery £26.8m (£24.36m) and £366,000 (£288,000); retail £6.32m (£4.55m) and £111,000 (£73,000); and imports £12.44m (£11.14m) and £126,000 (£98,000).

Mr Hadden said the current year started with the major benefit to the cash and carry division of the Smalley acquisition, with the expectation of further organic growth in other areas.

Additionally, there will be a full year's benefit from the arrangement made during 1985-86 to withdraw from the lease of the remaining unoccupied property of significance. Although the catering side was profitable, he stressed that it might be some time before there was a recovery to the profit levels of earlier years.

He continued to look forward with confidence.

TSB dividend as forecast

TSB Group is paying a single dividend of 1.065p net per share for the year ended November 20, 1986, as foreshadowed in last September's offer-of-sale prospectus.

The group's preliminary results for the year will be announced on January 29, 1987 and the report and accounts will be posted to shareholders during the week beginning March 23. The AGM will be held in Glasgow on April 24.

T&N purchase: NEI disposal

Turner and Newall has acquired the Arelex business of Northern Engineering Industries. Consideration represented an investment of less than 1 per cent of the net assets of T&N and of NEI. The business manufactures high quality glass bonded mica products.

At the same time, NEI announced that it had disposed of its interest in International Power Machines Corporation, based in Dallas, for $5m (£3.5m). The sale forms part of the reorganisation of NEI announced with the interim results.

John Mowlem

John Mowlem, the construction group, has unveiled the details of its offer for holders of Glasgow Stockholders Trust preference shares and debenture stock.

It is offering seven Mowlem shares for every 24 preference shares, worth 105p at Wednesday's closing price of 360p, or a cash alternative of 343p (worth 100p) through placing of the new Mowlem shares by Kleinworth Benson.

Mowlem is also offering early repayment of the debenture stock at 104.56 per cent plus accrued interest.

COMPANY NEWS IN BRIEF

GREENWICH RESOURCES: Turnover year ended September 30 1986 came to £431,976 (£65,000) reflecting increase in gold production at Gebeit, Sudan. That and higher level of interest income of £280,000 (£132,000) led to pre-tax profit £302,000 (loss £227,000). Earnings 1.4p (debit 1.5p). Comparisons restated to reflect switching method of accounting for mineral exploration development and production from "successful efforts" to "ful cost" basis.

KLEINWORT CHARTER Investment Trust: Final dividend of 1.78p making 2.6p (2.32p) for year ended November 30, 1986. Net revenue £2.18m (£1.91m) after tax of £931,000 (£953,000). Earnings per share were 2.66p (2.32p).

BRAITHWAITE GROUP (bridge and constructional engineers): No interim dividend for six months to September 30, 1986 (same). Turnover £4.50m (£5.40m); operating profit £106,000 (debit £156,000) and extraordinary charges nil (£800,000).

RELIABLE PROPERTIES—Final dividend 3.25p making 4.5p for year ended June 30, 1986 (3.5p). Earnings 9.2p (12.6p). Net rents £505,000 (£454,000)

London & Scottish banks' balances

as at November 28 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	28,289		−241	
UK private sector	105,606		+1,816	
UK public sector	3,041		−138	
Overseas residents	14,489		−258	
Certificates of deposit	7,330		−1,132	
		156,815		+54
of which: Sight		67,960		+1,860
Time (inc. CDs)		88,855		−1,805
Foreign currency deposits:				
UK monetary sector	18,722		−585	
Other UK residents	8,844		+111	
Overseas residents	46,722		−91	
Certificates of deposit	5,360		−200	
		78,848		−765
Total deposits		235,662		−711
Notes in circulation		959		+19
Other liabilities*		41,331		−232
TOTAL LIABILITIES		277,953		−923
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	492		0	
Other balances	2,297		+39	
		2,789		+39
Market loans:				
Discount houses	4,230		−390	
Other UK monetary sector	27,722		+37	
UK monetary sector CDs	4,201		−680	
Local authorities	1,478		−43	
Other	5,095		−390	
		42,726		−1,467
Bills:				
Treasury bills	181		+97	
Other bills	3,188		+302	
		3,369		+399
Investments:				
British Government stocks	6,298		+18	
Other	5,170		+24	
		11,468		+42
Advances:				
UK private sector	101,102		+325	
UK public sector	307		+8	
Overseas residents	6,128		+134	
		107,537		+468
Other sterling assets*		16,263		+84
Foreign currencies				
Market loans:				
UK monetary sector	18,406		−375	
Certificates of deposit	515		−50	
Other	37,863		−311	
		56,783		−736
Bills		727		−49
Advances:				
UK private sector	7,059		−95	
UK public sector	899		−23	
Overseas residents	18,536		−63	
		26,494		−181
Other foreign currency assets*		9,797		+477
TOTAL ASSETS		277,953		−923
Acceptances		5,402		−121
Eligible liabilities		116,311		+1,879

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	156,815	6,185	34,905	24,589	25,412	42,783	8,788	3,526	10,617
Change on month	+54	+42	+152	+318	−543	−274	+144	+103	+112
Foreign currency deposits	78,848	1,190	15,434	11,089	15,192	23,020	3,919	8,931	83
Change on month	−765	−69	−621	−218	−23	+318	+67	−210	−10
Total deposits	235,662	7,375	50,339	35,678	40,604	65,803	12,707	12,457	10,701
Change on month	−711	−27	−469	+100	−566	+44	+211	−106	+102
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,789	346	418	206	566	549	553	12	138
Change on month	+39	+1	+49	−149	+14	+60	+68	+1	−6
Market loans—UK monetary sector	21,953	854	6,795	4,204	4,288	11,852	773	887	2,305
Change on month	−354	+121	−276	−54	−240	−129	−31	−47	+302
Other	10,774	133	2,239	1,453	1,186	3,387	330	316	1,749
Change on month	−1,113	−33	−224	−70	−343	−270	+55	+10	−238
Bills	3,369	89	932	920	137	747	261	52	232
Change on month	+399	−49	+120	+200	−16	+235	−19	−13	−58
British Government stocks	6,298	293	1,142	579	1,116	916	227	211	1,814
Change on month	+18	+5	+94	−29	+32	−88	−3	−3	+1
Advances	107,537	5,262	24,962	17,144	18,314	26,510	7,361	2,709	5,334
Change on month	+468	+91	+174	+182	−7	−169	+73	+88	+35
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	57,511	483	11,418	9,085	8,698	18,502	2,986	6,301	37
Change on month	−784	−107	−383	−446	−309	+271	+136	−15	−11
Advances	26,494	891	4,119	3,453	6,636	6,322	1,238	3,780	54
Change on month	−181	−13	−285	+97	+214	−142	−69	−62	−1
ACCEPTANCES OUTSTANDING	5,402	274	1,165	488	1,350	1,088	494	409	134
Change on month	−121	+53	−220	+57	+27	−148	+41	+78	−8
ELIGIBLE LIABILITIES OUTSTANDING	116,311	5,262	26,215	18,693	19,876	28,271	7,530	2,573	7,892
Change on month	+1,879	+4	+518	+533	−342	−69	+107	+125	+293

NOTICE OF TENTH PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

**Issue of US$ 250,000,000 12¾% Notes due February 27, 1992
with 250,000 Warrants to subscribe
12½% Notes due February 27, 1992**

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, notice is hereby given that as a result of exercise of Warrants, Notes for an additional aggregate principal amount of US$ 5,000,000 will be redeemable on January 20, 1987 at 101 per cent. of their principal amount, together with accrued interest (i.e. US$ 571.98 per denomination of US$ 5,000) from February 27, 1986 to the date of redemption.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

00007	04386	05686	08712	12435	15319	17089	20044	23784	28356	29850	31902	36000	38311	41249	44084	47229
00078	04388	05688	08853	12436	15320	17093	20067	28231	28362	29852	31903	36005	38583	41252	44086	47318
00208	04389	05695	08855	12439	15324	17333	20213	28233	28367	29854	31906	36006	38584	41255	44088	47776
00420	04390	06372	08856	12443	15327	17791	20215	28239	28368	29855	31910	36007	38585	41301	44275	47778
00421	04393	06376	08876	12553	15329	17793	20562	28240	28370	29856	31958	36008	40770	41312	44277	47780
00425	04397	06377	09167	12555	15330	17796	20565	28243	28376	29861	31993	36012	40771	41793	44282	47781
00426	04399	06379	09169	12580	15335	17797	20566	28246	28379	29865	31994	36017	40774	41794	44292	47786
00434	04400	06381	09170	13356	15340	17798	20568	28248	28380	29868	32249	36021	40776	41795	44307	47789
00529	04402	06382	09173	13360	15341	17803	20569	28250	28383	29869	32475	36022	40778	41796	44437	47791
00531	04405	06386	09175	13361	15345	17804	20570	28252	28385	29873	32478	36024	40787	41797	44478	47897
00534	04406	06388	09176	13363	15349	17805	20573	28253	28386	29874	32477	36027	40790	41802	44618	47898
00837	04408	06391	09177	13364	15350	17806	20578	28254	28389	29878	32617	36030	40793	41804	44623	47923
00839	04412	06393	09468	13366	15352	17808	20766	28256	28390	29880	32619	36031	40798	41806	44641	48701
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes surrendered for redemption must have coupon due February 27, 1987 and subsequent attached. Interest will cease to accrue on the above drawn Notes as from January 20, 1987.
Amount remaining outstanding: US$ 21,000,000

Luxembourg, December 19, 1986

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

Legal Notices

SCOTTISH AGRICULTURAL INDUSTRIES PUBLIC LIMITED COMPANY

A Petition was presented on 15 December 1986 to the Court of Session by Scottish Agricultural Industries Public Limited Company, a company incorporated under the Companies Acts and having its registered office at 25 Ravelston Terrace, Edinburgh EH4 3ET ("the Company") craving their Lordships *inter alia* (a) to order a meeting to be held of the holders of the issued shares in the capital of the Company other than Imperial Chemical Industries PLC or its nominees for the purpose of considering and, if thought appropriate, approving with or without modification the Scheme of Arrangement printed in the Appendix to the said Petition, and (b) to sanction said Scheme of Arrangement.

On Thursday 18 December 1986 their Lordships pronounced an Interlocutor in the following terms:

Edinburgh 18 December 1986

The Lords allow the Petition to be amended as proposed at the Bar; appoint the Petition as amended to be intimated on the Walls and in the Minute Book in common form; nominate and appoint J. H. Wadia, W.S., 16 Walker Street, Edinburgh as Reporter to the process; appoint the Company to summon and hold a meeting of the holders of the issued shares in the capital of the Company other than I.C.I. or its nominees for the purpose of considering and, if so resolved, approving with or without modification, the Scheme of Arrangement printed in the Appendix to the Petition ("the Scheme"); order a duly authorised committee of the Directors of the Company, subject to notice being given as aftermentioned, to fix the day, hour and place of the said meeting; appoint the Secretary or Solicitors of the Company to give at least twenty-one days notice of the said meeting by advertisement once in the Edinburgh Gazette and once each in the Scotsman and Financial Times newspapers in terms of No. 14 of Process; order the Secretary or Solicitors of the Company to give notice by post at least twenty-one days prior to the date of the said meeting in terms of the form of notice produced stating the day, hour and place and objects of the said meeting with (1) a form of proxy for use thereat in terms of the form produced (2) a copy of the Scheme and (3) a circular containing Explanatory Statement explaining the effect of the Scheme and containing the statement required by Section 426 of the Companies Act 1985 to every member of the Company entitled under its Articles of Association to receive notice of such meeting to his address as it appears in the Company's register of members as at close of business on 17 December 1986; order that in respect of joint holdings all notices of such meeting shall be given to that one only of the joint holders whose name stands first in the register of members, and that notice so given shall be sufficient notice to all the joint holders; order that the form of proxy to be valid need not be in favour of a member but must be lodged at the office of the Company's registrars not less than forty-eight hours before the said meeting and signed in accordance with the instructions thereon; order the Secretary or Solicitors of the Company to insert a statement to that effect in the notice; order that in the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, be accepted to the exclusion of the votes of the other joint holders and for that purpose seniority shall be determined by the order in which the names stand in the register of members; direct the Managing Director of the Company whom failing an Executive Director of the Company to be Chairman of the said meeting; authorise the Chairman to adjourn the said meeting to such later date or dates and to such other place or places as he may determine; direct such a Chairman to report the result of the meeting over which he presides to the court.

"Emslie I.P.D."

In accordance with the foregoing Order, a duly authorised Committee of the Board of Directors of the Company have fixed the day, hour and place of the said meeting and notice is hereby given that the said meeting will be held within the North British Hotel, Princes Street, Edinburgh on Wednesday 14 January 1987 at 10.00 am at which place and time all holders of the issued shares in the capital of the company other than ICI nominees are requested to attend. A member entitled to attend and vote at the said meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the company. Forms of proxy for the meeting in order to be effective must reach the Registrars of the Company, The Royal Bank of Scotland plc, Registrar's Department, PO Box 27, 34 Fettes Row, Edinburgh EH3 OEU, not later than forty-eight hours before the meeting.

Copies of the said Scheme of Arrangement and of the said Explanatory Statement explaining the effect of the said Scheme and containing the statement required by Section 426 of the Companies Act 1985 together with forms of proxy for use at the said meeting have been dispatched to shareholders entitled to attend said meeting and may be obtained by any such shareholder upon application either by post or in person to the solicitors of the Company Messrs Dundas & Wilson, C.S., 25 Charlotte Square, Edinburgh EH2 4EZ. Copies of the Memorandum and Articles of Association of the Company and the other documents referred to in the said Explanatory Statement as being available for inspection may be inspected in accordance therewith at the said offices of Dundas & Wilson, C.S., and at the offices of J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS, during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including the Effective Date of the said scheme.

Of all which intimation is hereby given.

DUNDAS & WILSON, C.S.,
25 Charlotte Square,
Edinburgh EH2 4EZ.
Solicitors for the Petitioners.

Company Notices

DIMOSIA EPIHIRISIS ELEKTRISMOU
(Public Power Corporation)
ECU Denominated Floating Rate Notes due 1997

Notice is hereby given that for the interest period commencing on December 18, 1986 the ECU Notes will bear interest at the rate of 8¼% per annum. The interest payable on March 19, 1987 against Coupon No. 8 will be ECU 20.3125 per ECU 1,000 nominal.

Fiscal Agent
ORION ROYAL BANK LTD

FT COMMERCIAL LAW REPORTS

Offeror not bound by letter of credit

CHEMCO LEASING SpA v REDIFFUSION LTD
Court of Appeal (Lord Justice Fox, Lord Justice Parker and Lord Justice Glidewell): December 11, 1986

A PUT OPTION by which one person offers to undertake another's obligations should certain events arise does not impose liability on the offeror unless it is accepted by the offeree within a time which *is reasonable*, having regard to the date on which he became aware that the events had occurred.

The Court of Appeal so held when dismissing an appeal by Chemco Leasing SpA from Mr Justice Staughton's decision that obligations owed to it by a previous subsidiary of Rediffusion Ltd had not been transferred to Rediffusion.

LORD JUSTICE PARKER said that on December 21 1979 Rediffusion sent Chemco a "letter of comfort" regarding lease financing facilities provided by Chemco to Rediffusion's subsidiary, Computer Machinery Corporation Italia (CMC Italy).

The letter confirmed that CMC Italy was owned 99.8 per cent by CMC France which was 100 per cent owned by Rediffusion, and that Rediffusion was therefore in a position to exercise sufficient control over CMC Italy to ensure that its obligations to Chemco were maintained.

It stated: "We assure you we are not contemplating disposal of our interest in CMC Italy and undertake to give Chemco prior notification should we dispose of our interest during the life of the leases. If we dispose of our interest we undertake to take over the remaining liabilities to Chemco of CMC Italy should the new shareholders be unacceptable to Chemco."

On *August 12 1980 a further* letter in identical terms was sent with regard to another transaction. Facilities were granted in respect of two transactions falling within the ambit of the first letter, and one falling within the ambit of the second letter. This was done by Chemco purchasing data entry equipment from CMC Italy and leasing it back to CMC Italy on the terms of Chemco's standard lease agreement.

Rediffusion's 100 per cent interest in CMC France, referred to in the letters of comfort, was indirect in that CMC France was wholly owned by a Dutch company, CMC Europe.

On December 16 1981 Rediffusion *sold its entire shareholding* in CMC Europe. It did not give Chemco prior notice of disposal, but Chemco did receive notice from CMC Italy on December 14. It also received confirmation that the sale had taken place at a meeting on January 13 1982 between Chemco and CMC France.

As a result Chemco phoned Rediffusion and asked whether the comfort letters had been considered. It was told the matter was being looked into and Rediffusion would revert to it. Rediffusion did not in fact revert to it. Chemco continued to invoice CMC Italy for rentals as they fell due, and to receive payment.

On March 5, at a discussion between CMC Italy and Chemco, Chemco said it had a letter of guarantee from Rediffusion and was therefore quite relaxed as long as CMC Italy continued to make payments. CMC Italy relayed to Chemco that Rediffusion had said it was not a letter of guarantee but a letter of comfort.

On July 23 CMC Italy went into liquidation. At that time it had defaulted in respect of one lease. Default was made under another lease on August 1 and September 1.

On September 3 Chemco notified Rediffusion formally that it did not find the new shareholders of CMC acceptable and that it claimed "under the *indemnities*" contained in the letters of December 21 1979 and August 12 1980.

Rediffusion replied it was too late for Chemco to claim under the *letters of comfort*.

Chemco commenced proceedings against Rediffusion in the Commercial Court by a writ *dated August 15 1983*.

Mr Justice Staughton dismissed Chemco's claim, holding that Rediffusion's obligation to take over *the remaining* liabilities of CMC did not arise until Chemco had given notice that the new owners were unacceptable; that such notice, to be effective, had to be given within a reasonable time of the disposal of Rediffusion's interest; that in the circumstances a reasonable time was four months; that no notice had been given by that time or at any time prior to the letter of September 3; and accordingly Rediffusion was under no liability.

Chemco appealed.

It was common ground that the intention of the final paragraph of the letters was to confer a "put option" on Chemco in the event that it found the new shareholders unacceptable; ie, it was an offer to take over the remaining liabilities in such an event. It followed that *Rediffusion* could be under no liability unless and until the offer was accepted and that Chemco could not succeed unless it proved acceptance.

The principal issues were (i) had acceptance of the offer or notice to be within a reasonable time; (ii) if so, what was a reasonable time; (iii) was an acceptance or notice given within reasonable time?

★

Was acceptance or notice to be given within a reasonable time?

The judge was plainly right. It was well-settled that if an offer was not limited in time by its express terms, it lapsed after a reasonable time. Alternatively, if the matter was to rest on *implication* of a term, such a term must be implied. It was commercially inconceivable that the parties intended that Chemco *should* have been free to remain silent for four years and then to say it found the new shareholders unacceptable and demand that Rediffusion took over the liabilities.

Mr Clarke, for Chemco, submitted that although at time of disposal the new shareholders were *thought* to be acceptable and likely to stand behind CMC in the event of default, and although for a period CMC went on paying so that occasion never arose to call on it to do so, Chemco was entitled without prior warning to call on Rediffusion should CMC fall behind and the new shareholders fail to pay. They would then be unacceptable.

That was flying in the face of the words used in the letter of comfort "should the new shareholders be unacceptable." They were not "should the new shareholders be *or become* unacceptable."

In *Kawasaki (1939) 63 Ll L Rep 175* where there was an option to shipowners and charterers to *cancel in the event of* war, Mr Justice Branson said: "Charterers and shipowners would be entitled to a reasonable time within which to ascertain that war had broken out, and within which to consider and decide whether, seeing that war had broken out, they thought it was in *their* commercial interest to continue to implement the contract or not."

In the present case Chemco was entitled to a reasonable time within which to consider and decide whether the new shareholders were acceptable to them or not.

If the matter had to be considered on the basis of the officious bystander test it seemed clear that if such a person had asked at the time: "Is there to be a time limit on the exercise of the put option?" *Both* parties would at once have said: "Yes it must be done within a reasonable time."

A subsidiary argument was that Rediffusion had failed to give prior notice and *that* Chemco was discharged from any obligation to exercise the option by acceptance or notice within a reasonable time.

Failure to give prior notice did not affect the position save as to assessment of what was a reasonable time.

The starting point from which one should measure such time was the date of disposal of the interest.

If, for example, Rediffusion had given notice a month before disposal so that Chemco could have begun inquiries into the acceptability of the new owners, it would have required less time after disposal in which to complete inquiries and make a decision. If no notice was given till after disposal Chemco would clearly require longer.

On no view, however, could the option be converted by failure to give notice into an option free of all obligation as to time limit. If no notice were given at all a reasonable time from disposal would not elapse until a reasonable time after knowledge of disposal. If a reasonable time must by then have expired Chemco could achieve the same result by damages for breach of the obligation to give notice.

To be effective, acceptance of the offer or notice of unacceptability must be given within a reasonable time.

★

What was a reasonable time in all the circumstances?

This was a question *of fact*. The judge's conclusion that four months from disposal was a reasonable time could not be impugned. He extended a *prima facie period of three months* by one month to take into account the fact that Chemco was apparently uncertain that a sale had taken place until the meeting of January 13.

★

Was acceptance or notice given within the reasonable time?

The only occasion on which it was suggested that notice was given was March 5. That was rejected. To suggest that information passed by CMC to Rediffusion that Chemco considered it had a guarantee could not possibly amount to acceptance or notice. It was plain that at that stage Chemco had not considered the question.

The appeal was dismissed. Lord Justice Glidewell and Lord Justice Fox agreed.

For Chemco: Christopher Clarke QC and Simon Browne-Wilkinson (Freshfields).

For Rediffusion: Anthony Hallgarten QC and Brian McClure (Waltons & Morse).

By Rachel Davies
Barrister

FINANCIAL TIMES SURVEY
Friday December 19 1986

French Banking

FINANCE AND INVESTMENT

In the space of three years France has opened up access to its financial markets, ending credit control and making banks freer to compete. Further reforms are planned to boost the status of Paris as a financial centre.

The new Matif financial futures exchange grew so rapidly that it had to move to fresh quarters within the Palais de la Bourse during its first year

Preparing for privatisation

By George Graham

THE LIBERAL agenda of Mr Jacques Chirac's government has run into trouble in the last few weeks. Mr Chirac has had to climb down on the question of education reform in the face of massed protests from France's students, and much of the rest of his legislative programme has been put off to allow tempers to cool.

On the economic front, however, the process of liberalisation dates back beyond Mr Chirac's election victory in March to the previous Socialist government. Mr Edouard Balladur, minister of the economy, finance and privatisation, has taken the process much further, but he has built on foundations firmly laid by his predecessor, Mr Pierre Beregovoy.

In the space of three years France has opened up the access to its financial markets, created a full range of financial instruments, put an end to its old system of rigid credit controls, and given a spur to freer competition among its banks and financial institutions. The symbol of Mr Balladur's ambitions is his privatisation programme, which aims in the next five years to transfer 65 companies worth between FFr 200bn and FFr 300bn, and including seven major banking groups, away from state ownership.

The banks are rapidly preparing for their move into the private sector. Paribas, the investment banking group, is due to be offered for sale to the public towards the end of January. So confident is the Government of the success of the offer that French institutions have been invited to tender blind for a large slice of Paribas's capital at 2.5 per cent higher than the offer price, which they will not know until after their shares have been allocated.

Other banks are keen to be next on Mr Balladur's list.

"Suez is ready. The earlier the better," said Mr Renaud de la Geniere, the former governor of the Bank of France, who now heads Paribas's great rival, Compagnie Financiere de Suez.

"The quicker Credit Lyonnais is a private enterprise with millions of shareholders, the quicker we will be in position to carry out the development we want," says the pugnacious Mr Jean-Maxime Leveque, the new chairman of the second largest of France's commercial banks.

France's banks have a number of major problems to face up to before privatisation. The first, the reason most bankers give for wanting to move out of the state sector, is the weakness of their capitalisation by international standards. If the state was not a demanding shareholder in terms of dividends, it was, all the same, not generous in providing new capital.

In the private sector, new equity issues and paper acquisitions will be easier, although the early banks to be privatised can expect a stern telephone call from the Treasury if they return to the market too quickly and risk spoiling the flotations of their rivals.

Even before privatisation, however, most banks feel the need to build up their capital resources—if only to make themselves attractive for the privatisation ball. Banking groups such as Paribas, Credit Lyonnais and CIC have already issued non-voting certificates of investment up to the maximum 25 per cent of their capital permitted to them by the Government.

Societe Generale, the third in the trio of major commercial banks and one which has not yet reached the 25 per cent ceiling, was prevented by the Treasury from issuing more certificates of investment for fear of spoiling the market for St Gobain, the first company to be privatised. But there are other options, such as the perpetual floating rate note Credit Lyonnais launched on the French domestic market earlier this month.

Overseas investors wishing to make international comparisons of the French banks' ratios may find some difficulty. Their apparent weak capitalisation on a raw gearing ratio of shareholders' funds to public liabilities is misleading in part because of the high level of provisions—nearly three times as high for the three major French commercial banks as for the four main UK clearers. Their return on assets is also low by UK or US standards, partly because of their much higher level of interbank activity.

Interbank activity to swell the balance sheet, or window-dressing, is a practice indulged in in many countries for prestige reasons. In France, it had the additional purpose of boosting asset levels to allow maximum growth within the framework of credit controls.

Mr Marc Vienot, chairman of Societe Generale, says his bank will not indulge in window-dressing this year, and hopes his competitors will follow suit. He admits, however, that they are likely to think he is bluffing. But the ending of credit controls should put a brake on the practice.

If there are problems for the French banking system to face up to, there are also sizeable opportunities. An environment of declining interest rates may have exposed the vulnerability of their earnings, so heavily dependent on lending margins rather than on commissions and fees for financial services. Yet, from January 1, the banks will be permitted to charge their customers for services and have the chance to redistribute the burden of paying for their heavy branch networks on the sectors with the highest costs.

The introduction of bank charges, or "tarification," has aroused fierce passions among French consumers, who regard the right to pay for anything by cheque, free, as an essential national liberty. But if the banks succeeded in imposing the charging system they may be able not only to reduce the flood of 4.5bn cheques a year, with all the processing difficulties that that entails, but also to improve conditions for their customers in other areas.

Mr Leveque, of Credit Lyonnais, for one, has promised that, on the day he introduces bank service charges, he will lower his interest rates to consumers.

The banks will also be well placed to take advantage of the upsurge of interest in financial investments, already well under way but given a further boost by the privatisation campaign, which has already mobilised huge numbers of small investors for the flotation of St Gobain.

With a total of over FFr 700bn invested in SICAV mutual funds, and another FFr 200bn in the less closely regulated FCP funds, asset management is currently among the most profitable areas of the market for banks as for other financial intermediaries.

Another highly profitable area for many operators has been in financial activities. The rapid broadening of Paris's financial markets, coupled with a sustained bull market over recent years, has greatly helped this development.

The reform began with the government debt market. Until the 1970s, French government funding methods were little short of primitive; but the market has expanded rapidly and has been adapted to a structure more familiar to international investors, including regular auctions of Treasury bonds and bills.

This Treasury sector is rapidly becoming the benchmark for the rest of the Paris financial markets, including the new markets in commercial paper and in bank certificates of deposit, which have boomed since their creation last year (1985), and the flourishing Matif, or financial futures exchange, which opened only in February this year.

These markets are not as liquid as some investors and operators would like. Prices tend to disappear from dealing screens during moments of stress, and there are few dealers making firm prices in large sizes in all market conditions.

This may improve in 1987 with the nomination of 12 primary dealers in Treasury instruments, who will be expected to show a greater commitment to making firm prices. Besides the major French banks and some stockbrokers, the list selected by the finance ministry is expected to include some foreign institutions—probably Morgan Guaranty and possibly Midland Bank, which is also the only foreign bank named as a principal money market operator by the Bank of France.

The Government's next focus is the gradual reform of the equity market, which has already undergone some radical changes but remains handicapped by the absence of market makers able to take positions in stocks and by its back office procedures.

Here too, there is a liquidity problem.

"The cost of transactions on the French bourse is not high in terms of brokerage—perhaps 2 per cent for a round trip. But there is a liquidity cost. The market is not liquid, so when you want to buy the price can move against you by 2 or 3 per cent," said the head of fund management at one major bank.

But the bourse has already coped with a 160 per cent increase in the volume of share trading this year, and Mr Xavier Dupont, syndic of the French stock exchange, is confident that the system can cope with the changes needed.

"This year has seen the creation of the Matif and of the continuous market, the beginning of the end of the fixing system. I believe that next year will see new jobbing joint ventures being formed and starting to trade. Things are moving very fast indeed," he said.

In this, as in its other reforms of the financial markets, the Government wants to move progressively.

The top French banks (1985)

French ranking (by assets	World ranking	Bank	Assets $m	Capital $m
1	6	BNP	123,081	2,440
2	8	Crédit Agricole	122,891	5,231
3	10	Crédit Lyonnais	111,458	7,374
4	13	Société Générale	97,627	1,981
5	29	Paribas	72,903	3,645
6	74	CIC Group	35,274	647
7	78	Indosuez	33,065	700
8	84	Banques Populaires	30,265	997
9	98	BFCE	24,025	306
10	110	Crédit Commercial de France	21,516	587
11	147	Compagnie Bancaire	15,861	1,066
12	181	UBAF	11,552	428
13	291	Federative du Crédit Mutuel	6,646	462
14	343	Eurobank	5,357	121
15	354	Banque Worms	5,203	125
16	423	Sovac	4,262	308
17	480	L'Afrique Occidentale	3,405	39
18	493	Banque Sudameris	3,165	182
		Total	727,557	19,637

Source: The Banker.

French Banking, Finance and Investment 2

The capital markets

Underpinned by public deficit

PARIS HAS always had ambitions to be a major international financial centre, but even its staunchest supporters have generally had to admit that reality did not live up to the ambitions. But the wave of reforms carried out over the past two years—creating new financial markets and modernising old ones—has introduced a new note of pride.

The successful introduction of financial futures and commercial paper, the reopening of the Eurofranc bond market, and a wave of measures aimed at refurbishing the government debt markets have given Paris the weapons necessary to attract international institutions.

"The French market is becoming legible to foreign banks," said Mr Francois Fournier, who moved from France's administrative establishment, working at the Treasury and at the state financial institution Caisse des Depots, to become executive director of Shearson Lehman Brothers, in Paris.

These structural measures, undertaken mostly at the initiative of the authorities rather than of the private sector, have been helped along by favourable economic fundamentals, which have given a tremendous boost to both fixed interest and equity markets. Buoyant markets have led to rapidly increasing volumes, which has in turn provided the profits to finance the process of change.

In gross terms, the total volume of securities issues on the French markets multiplied seven times over the past 10 years to reach FFr 390bn in 1985. By the end of August this year, issues had already reached FFr 352bn. Issues of bonds reached FFr 227bn in the first nine months of 1986, up 23 per cent from the same period of 1985.

On the demand side, the markets have been sustained by the expansion of France's mutual funds. The market now consists of nearly 500 SICAVs or unit trusts, compared with 134 five years ago. They run FFr 325bn in short-term and money market funds, with another FFr 163bn in funds specialising in French bonds. Even SICAVs specialising in equity investment are also compelled to hold 30 per cent of their funds in fixed interest securities.

The smaller but less regulated and more numerous *fonds communs de placement* added another FFr 250bn by June this year, with an estimated FFr 120bn in short-term funds.

Underpinning this growth has been the government debt sector. The expansion of the level of public sector deficits over the last 10 years has led to a great increase in the volume of this sector. Regardless of any philosophical desire to liberalise the financial markets, this expansion made a revitalisation of the techniques of treasury financing essential.

As late as 1979, the negotiable portion of the French national debt stood at less than 30 per cent, with the bulk of the funding carried out through non-market means such as post office accounts and public sector financial institutions like the caisse des depots.

Today, some FFr 450bn of French Government bonds are outstanding, 30 per cent of the total domestic bond market. In addition, there are some FFr 390bn of outstanding treasury bills, nearly double 1981's level. As well as predominating in volume terms, government instruments are also becoming a benchmark to the rest of the market, helped by the institution of a regular calendar of treasury bond and bill auctions.

"We would expect in 1987, or possibly later, that bank instruments will no longer be quoted on an absolute basis but as a spread over treasury bills," said Mr Herve Huas, head of treasury sales advisory at Morgan Guaranty in Paris.

This effect is one that the French authorities have been keen to encourage in an effort to break down the compartmentalisation of the markets. The creation of new instruments has been carefully fostered to open up a full range of maturities to a wide range of investors.

When the Matif opened in February with a contract on a notional government long bond, volume exceeded all expectations. The second contract, on 90-day Treasury Bills, has been less successful.

The process began with the authorisation of long-term bank certificates of deposit in April 1985, followed by commercial paper — referred to as *Billets de Tresorerie*, to avoid confusion with the trade bills already known in France as *Papier Commercial*—in December last year. From the beginning of 1987, the maturities and conditions of CDs and commercial paper will be brought into line, opening up a full spectrum of tradable instruments from 10 days to seven years.

Parallel to these developments came the creation of a range of hedging instruments to complete Paris's armoury. The Matif, the French financial futures exchange, opened in February this year with a contract on a notional government long bond. Volume exceeded all expectations, and in October for the first time turnover outstripped that in the London exchange's gilts contract, with 325,424 contracts changing hands.

The Matif's second contract, on 90-day Treasury Bills, has not been as successful, with volume in the range of 400 to 800 contracts a day rather than the 10,000 to 20,000 a day generally traded in the long bond contract. Some dealers expect this to take off next year as the reforms of the money market start to take full effect.

In addition, an over-the-counter market in interest rate options, based on the Matif long bond contract, developed among a few market makers in April. The Matif itself intends to introduce an option on its long bond contract in 1987. This is expected to open the way for the over-the-counter market makers to develop more custom-made options.

With the selection of *specialistes en valeurs de tresor*, or primary dealers—a process which is now under way—Paris is likely to have taken the decisive step towards the creation of a continuous and liquid market in the full range of financial instruments.

One major remaining handicap to Paris as a financial centre is the persistence of foreign exchange controls. Mr Edouard Balladur, the Minister of the Economy, Finance and Privatisation, has already announced four separate batches of measures designed to relax exchange controls, and he claims that 90 per cent of the restraints have now been abolished.

Bankers remain sceptical, however, so long as they remain unable to make French franc loans to foreign residents except in very tightly limited circumstances. Foreign exchange contracts also remain an area where the Matif looks longingly at the opportunities that might arise if exchange controls were fully lifted.

The French Government still wants progress in transforming Paris's financial markets to be slow, in order to learn all the lessons that can be deduced from London's upheaval and to ensure that, whatever changes are made, the result is not to reduce the degree of safety enjoyed by French investors. But the pace of change has already been rapid, and the Paris markets will never look the same again.

George Graham

Electronic banking

A smart route to security

THE FRENCH banking system has long played a leading role in the development of electronic banking services and the introduction of the the so-called "smart card."

The smart card is a plastic card containing a microprocessor. It permits a series of revolutionary applications, including cashless payments, home banking, the pinpointing of records for hospitals, universities and other administrations, and motorway toll payments.

A number of major banks in France now offer, as a regular service to customers, home banking opportunities that use the French telecommunications authority's minitel videotex terminals. These are installed free of charge to telephone subcribers.

Minitels are connected to the telephone network, and subscribers are charged for use of the videotex terminal on the same basis as if they had made a telephone call. The terminal enables subscribers to home into their personal accounts and analyse their balances. The service appears to be especially useful to small and medium-sized companies in managing their accounts.

The French banking system has also launched the first mass application of smart cards based on a technology invented by a Frenchman, Roland Moreno, in the early 1970s. The French nationalised Bull computer group is leading the programme with its CPS chip card.

The overall programme involves the introduction, between now and 1989, of about 17m smart cards throughout the country, of which Bull will supply about 12.5m and Philips another 4.6m. The original timetable was the supply of 200,000 cards last year, 3m this year, 4m next year, and 5m in 1988.

Although the timetable for the introduction of smart cards on a nationwide basis has slipped, the banks are committed to the new system because it offers far greater payment security and is expected to boost the efforts of the banks to combat fraud. The new bank cards are also intended for use in pay-telephones adapted to accept smart cards.

At the same time, the French telecommunications authority is launching its own scheme to instal pay telephones accepting chip cards. About 1,500 pay telephones were installed in 1984 and by the end of this year the total is expected to increase to about 30,000. The authority's target is to instal 100,000 pay-telephones for smart cards by the end of the decade.

The smart card will also be linked with the minitel videotex terminal system, to extend home banking and cashless shopping applications. The French telecommunications authority is now preparing to market a card reader, which can be connected to a minitel terminal to enable direct payment for videotex services as well as home banking and telepayment applications. The authority has already placed an initial order for 50,000 card readers with a consortium led by the Bull computer group.

Tests of other applications of the new chip card have been conducted in France, including use of the smart card for motorway tolls. The city of Blois has also chosen the Bull smart card for use as an electronic bus ticket with a memory. French universities and medical authorities are also showing increasing interest in the card for filing and record applications.

Apart from helping to increase the competitiveness of the French banking system at home, Frence's commitment to electronic banking and smart card technology is also seen as offering the country good export opportunities in new areas of banking technology.

Paul Betts

Banks and Government

Lending limits go but targets stay

FRANCE'S BANKS enter 1987 with the liberty to increase their lending as much as they please. Mr Edouard Balladur, Minister of Finance and the Economy, is keeping his promise to abolish the "encadrement du credit," the system of increasingly complicated and bureaucratic quantitative controls which has ruled the French banking system since 1972.

The impact on the day-to-day management of the banks may not be as dramatic as the "fundamental turning point in our practices and habits," proclaimed by Mr Balladur.

For one thing, the programme of liberalisation begun by Balladur's Socialist predecessor, Mr Pierre Beregovoy, has already vastly reduced the practical significance of credit controls. In addition, the gradualism congenital to the Bank of France means that the abandonment of the old system of controls will be accompanied by transitional measures.

Indeed, the Government is retaining the same target bands for monetary growth in 1987 as in 1986. Growth of the broad monetary aggregate M3, which includes notes and coin and both short- and long-term deposits, is targeted between 3 and 5 per cent. The Bank of France will also seek to limit the narrower aggregate M2, which excludes long-term deposits, to growth between 4 and 6 per cent.

The authorities will try to keep to these targets by acting on interest rates in the money markets, helped by a new system compelling banks to hold mandatory non-interest-bearing reserves at the Bank of France in proportion to deposits.

"At the Bank of France, no one is crying about the end of the 'encadrement du credit,'" said Mr Michel Camdessus, governor of the Bank of France. "We think that the game is worth the candle, and that, today, this is the surest way of meeting our monetary targets."

Any simplification of the highly regimented French banking system will be most welcome to outside observers, often bewildered by the array of special procedures. Until 1984, there were, for instance, more than 50 varieties of subsidised credit, many of them long obsolete.

The old regulations are replaced by new controls on the banks, with the twin aims of ensuring that the Bank of France's intervention on the money markets are effective and that the banking system remains solid and safe.

The first set of measures involves replacing the old mandatory reserves on credits granted, which formed the skeleton of the "encadrement du credit," by an increase in the reserves that must be held against deposits. Banks will have to increase their reserves from 4.25 per cent to 5 per cent of their sight deposits, and from 0.75 per cent to 1 per cent of their longer term deposits.

The intention is to ensure that the banking system as a whole is generally "in the bank," and needs to borrow money from the central bank to meet its day-to-day needs. This gives greater weight to the Bank of France's pressure on interest rates.

The Bank of France has been keen to stress that the overall effect of these requirements will mean only a small increase in the level of the central bank money stock, and that similar reserve requirements in other countries are often much stiffer. Nevertheless, some senior bankers are already grumbling that the authorities have been unnecessarily cautious and that the reserve requirements, which pay no interest, are unduly severe.

Alongside these measures, the authorities are imposing a new prudential ratio aimed at ensuring that the banks maintain adequate levels of long-term funding to back their long-term lending. Long-term resources, including capital, provisions and borrowings with more than five years to run, will have to amount to at least 60 per cent of the level of loans of over five years.

Once again, given what Mr Camdessus calls "the Bank of France's congenital gradualism," there are transitional measures, and the whole system will not take full effect until 1992.

The Bank of France's next priority is a set of liquidity ratios aimed at replacing the present regulations, which date from 1948. It is also studying the treatments of financial instruments subject to interest rate risk in bank accounts.

"We do not think there are any dangerous financial establishments in Paris, but we are interested in maintaining the security of Paris as a financial centre," Mr Camdessus said.

It remains to be seen whether the process of liberalisation will do anything to change the strong corporatist spirit of France's bankers and foster a greater degree of competition between them.

The action of Credit Lyonnais's Mr Jean-Maxime Leveque in lowering his base rate earlier this year without consulting his colleagues, drew a chorus of baffled indignation from other banks, which have not followed his lead. And over the issue of charges on personal cheque book accounts, the banks have given the appearance of acting so much in concert that they drew down a storm of consumer protest and expressions of irritation from the Finance Ministry. In their turn, senior bankers commented sourly that the Finance Ministry was always urging them to take their own decisions, but was the first to complain and impose its own will when they did.

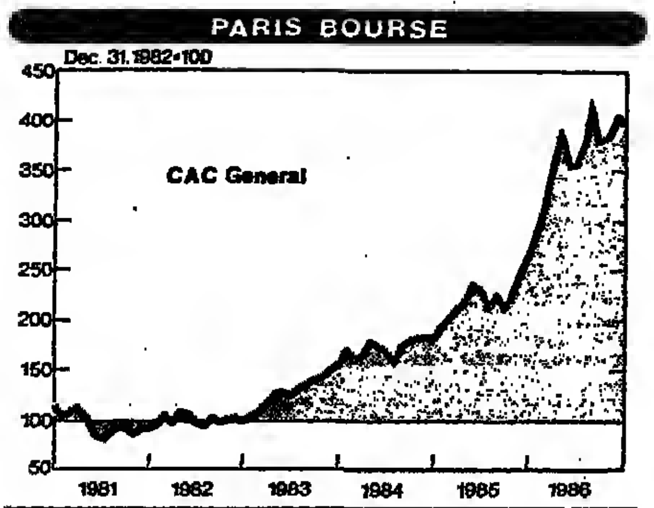
From the opposition benches, Mr Pierre Beregovoy commented that the solidarity of the banks over the question of bank charges made the debate over whether they should be privatised or remain in the state sector rather irrelevant.

"In France, the banks form a tightly welded cartel. It is the corporatist spirit that prevails," Mr Beregovoy said.

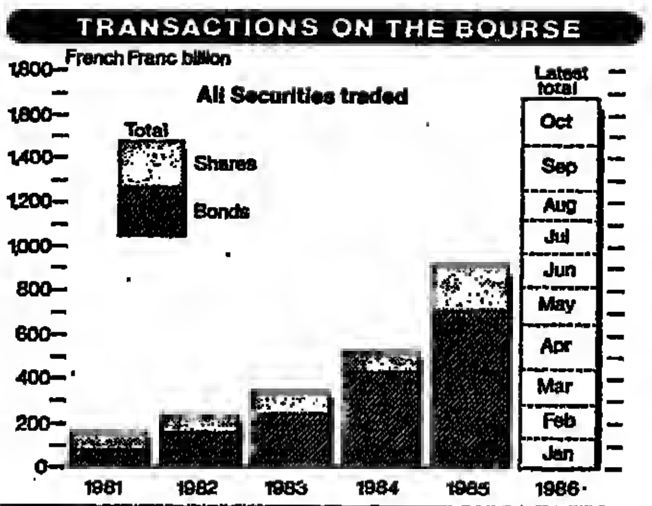
But it is a cartel that will still have to respond to orders from the Finance Ministry. "Even after privatisation, the phone call from the Treasury will remain a powerful weapon," said a senior banker.

George Graham

PARIS BOURSE



TRANSACTIONS ON THE BOURSE



The impact of deregulation

Paper volume spurs consumer credit

THE LIBERALISATION of France's financial markets has posed a new problem for the banking system, already confronted by a heavy cost burden and by an environment of declining interest rates.

The process of disintermediation, where corporate borrowers increasingly have direct access to the financial markets without having to borrow through the medium of the banks, has eaten into the business of the French banks, more heavily reliant than their rivals in other countries on earnings from their own lending, rather than on commissions and fees for their activities as financial engineers.

The rapid growth of the French commercial paper market, first authorised only a year ago, indicates the measure of the problem for the French banks. The volume of commercial paper—short term unsecured debt issued directly by companies, representing funds that would in the past have been provided by the banks—rose rapidly to more than FFr 25bn.

"Out of FFr 23bn of funding through the commercial paper market, we might in the past have expected to provide around 10 per cent, so that is FFr 2.5bn less for us of lending to the corporate sector. Instead, we have promoted our lending to the personal sector and the small and medium-sized companies, which do not have direct access to the market," said Mr Bernard Thiolon, managing director of Credit Lyonnais.

The result has been a surge in consumer credit from all the main French banks over the last year. Credit Lyonnais has increased its lending in this sector by 25 per cent in 1986, compared with an average of 5 to 6 per cent a year in earlier years. Societe Generale, which has been even more aggressive in marketing its personal loans, is likely to have recorded a still sharper increase.

The personal sector is one where in the past the larger commercial banks have often let their market share slip, to the benefit of specialist financing companies and in some cases of foreign banks.

"Individual depositors are our customers. Because of the official controls on credit, we let them go elsewhere," Mr Thiolon said.

Mr Herve de Carmoy, chief executive of Midland Bank International, agrees. "There are two areas where you can make a lot of money. One is in market related activities, the other is in the consumer sector, both in lending and in managing assets," Mr de Carmoy said.

In the personal loans sector, for example, Midland has been able to build up a 20 per cent share in the market for mortgages on older homes. But the personal sector is also one that creates difficulties for the French banks, with their extensive branch networks to support and with the cost burden of processing enormous quantities of personal cheques.

The contrast between French and British banks' performance in controlling costs is striking. Over the last five years, said Mr Ian Furnivall of Brokers Savory Milln, there was no evidence among the French banks of sustained cost control, although the benefits of France's rapid development of information technology systems should be felt in the next few years.

The proportion of the French population with a bank account is among the highest in the world, and it makes the heaviest use of the chequebook. More than 4.5bn cheques were written in France last year, accounting for more than 80 per cent of non-cash payments. In the UK, by comparison, only 65 per cent of payments, or 2.5bn, were made by cheque.

To remedy this, the French banks have been permitted from January 1 to charge for the services they provide to their customers. Some networks, such as the Credit Agricole with its chain of 5,600 branches, have already begun to charge.

The introduction of bank charges should, according to the Banking Commission, the official regulatory body, "allow the waste stemming from the free or almost free use of high-cost services to be avoided," and should allow a reduction in the cost of credit.

The threat of charges, or perhaps, even more, the perception that the banks are acting as a cartel by introducing the same charging structure at the same time, has nevertheless aroused a storm of protest from French consumer groups—to the intense embarrassment of the Government, which has quite enough popular protests on its plate at the moment to wish to cope with another.

The pressure on French banks to charge personal customers for their services arises not only from the ballooning of the volume of cheques written, but also from the diminishing returns on lending in a period of declining inflation and interest rates.

Besides earning less from the endowment effect of their massive, non-interest bearing deposits, the banks have also been compelled to renegotiate for many customers the terms of loans taken out when interest rates were at their peak in the early 1980s.

The Government itself has taken measures to promote the renegotiation of these high, fixed rate loans. Particularly hard hit have been those home-buyers, who took out loans which started at relatively modest interest rates, but with repayments rising by as much as 8 per cent a year. As inflation slowed down, their wages have not risen fast enough to keep pace with the repayments, and special measures have been needed to allow them to refinance their loans at today's lower interest rates without losing their tax advantages.

This renegotiation is not without financial consequences for the banks. Credit Mutuel de Bretagne, a co-operative bank with a dominant position in its own region, decided to give an interest rate rebate to all 18,000 of its borrowers who were paying more than 12.75 per cent—a gesture which it estimates will cost it FFr 15m a year.

But as they prepare for the opening up of the European market in financial services in the 1990s, French banks may have to exercise tighter control over their costs if they are to maintain the profitability necessary to compete with their international rivals.

George Graham

French banks comparison at end 1985

	Provisions*	Capital adequacy†	Profitability‡ 1985	Profitability‡ Average 1981-85
Credit Agricole	2.9	2.52	0.12	0.17
BNP	7.6	3.13	0.21	0.18
Credit Lyonnais	6.6	2.17	0.14	0.13
Societe Generale	7.9	2.56	0.18	0.15

* Total provisions as percentage of customer advances.
† Free equity ratio.
‡ Return on total assets.
Source: Savory Milln.

Mr Herve de Carmoy . . . "There are two areas where you can make a lot of money"

Privatisation

Little change, but readier capital

HOVERING over all France's banks is the prospect of privatisation. For many—the range of banks nationalised by the former Socialist Government in 1982—privatisation would merely mark the end of an interlude. For the bigger commercial banks, however, it would bring to a close more than 40 years under the wing of the state.

For Paribas, the first bank due to be privatised in the programme drawn up by the new right wing government of Mr Jacques Chirac, the benefits of a move into the private sector are clear. It will not change the way the bank is managed, but will simply allow Paribas to raise more capital—traditionally the weak point of the French banking system.

"If the state bad remained our shareholder for long, we would have had problems over capitalisation. The change brought about for Paribas by privatisation is that it will be able to finance itself on the markets," said Mr Michel Francois-Poncet, the group's new chairman.

For Credit Lyonnais, one of the trio of leading commercial banks whose experience of nationalisation dates back to the end of the second world war, the issue is the same.

"In 40 years of nationalisation our shareholder gave us not a sou of capital, although admittedly it demanded only modest dividends. In the private sector, we can raise capital end make acquisitions for paper. Privatisation gives us the possibilities of association in the world that one needs if one wants to be an international bank," said Mr Bernard Thiolon managing director of the bank.

Credit Lyonnais has already issued as many non-voting certificates of investment as it is permitted to do before privatisation, although other methods of raising capital, such as the FFr 1.5bn perpetual floating rate note it launched on the French domestic market this month, remain open to it.

Societe Generale, another of the big three, still has leeway to issue more certificates of investment, but has received a flat refusal from the Finance Ministry, which is keen not to spoil the market at a time when its first privatisations are already underway in the role of ... on the slipway.

Indigestion in the market appears to be more of a preoccupation at the Finance Ministry than among the financial institutions themselves. Nonetheless, at a time when the capitalisation of the Paris Bourse remains under FFr 1bn—still four times as high as in 1980—doubts about its ability to absorb in the space of five years a string of privatisations estimated at FFr 200bn to 300bn appear legitimate.

Mr Daniel Hua, deputy managing director of Societe Generale, remains confident that enough capital can be mobilised to make the privatisations a success. Speaking at a recent Euromoney conference in Paris, he pointed out that privatisation would help a process of change already underway in the role of the markets in allocating capital, which should correct the long term weakness of equity market capitalisation in relation to the size of the French economy.

The decline in French savers' preference for liquidity has brought a significant flow of funds into the capital market, Mr Hua said, while the demands placed on that market by the state itself should diminish, both because of a reduction in public sector spending and because the government has pledged half of the proceeds of the privatisation to reducing its endebtment.

Putting on its fund manager's hat, Paribas, too, is confident of the French market's ability to cope with the privatisation programme. A report from Paribas Asset Management, published late last month notes that the sales will be spread over five years and priced attractively in relation to the market.

In addition, foreign investors, who will be limited to 20 per cent of the capital of each new offer for sale, may well increase their stakes in the secondary market. Paribas said, while many investors have already been taking steps to establish war chests in preparation for the series of privatisations.

Early evidence from the offer for sale of St Gobain, the glass and packaging manufacturer that was first on the government's privatisation list, showed an encouraging response from small investors applying for shares over the counter of their local bank or post office. Before the offer had closed, it had already attracted significantly more than the one million individual subscribers the government had been hoping for.

"We cannot expect Banque Nationale de Paris or Credit Lyonnais to stick up posters for Paribas everywhere in the same way they did for St Gobain, but we hope that we will be able to trigger the demand from their customers," said Mr Francois-Poncet, who hopes to make as big a success of his group's privatisation in January.

Waiting in the lists to follow Paribas are 42 other banks, grouped into six main holding companies. Most fretful of them all is the Suez group, including principally the Banque Indosuez —arch rival of Paribas in the category of *banque d'affaires*, or investment bank.

Many observers believe, however, that the Government is likely to choose a commercial bank for the next privatisation in the financial sector. Besides the big three — Banque Nationale de Paris, Credit Lyonnais and Societe Generale —the choice includes the Credit Commercial de France group, known for its innovations in the Euromarket and for its drive into electronic home banking, and CIC, which brings together a chain of regional banks as well as CIC Paris.

These groups have already issued around FFr 14.5bn of non-voting investment certificates between them and, on the basis of these, now have a combined market capitalisation approaching FFr 90bn.

But the banks have another interest in privatisation: they are lining up eagerly to advise the Government and the companies on the denationalisation list on how to set about the process.

Leading the pack so far is BNP, which led the domestic offer for sale of St Gobain, with Lazard Freres handling the international offer. For the privatisation of St Gobain, the Government was advised by CCF together with Kleinwort Benson, which developed a reputation as the great UK privatisation specialist after its success with British Telecom.

For the sale of Paribas, the Government is advised by Rothschild and Swiss Bank Corporation, while Paribas itself, has brought in its close associate, Merrill Lynch.

The fees from the privatisation programme may provide a crumb of comfort to those banks that are not as high on the Government's list as they would have liked.

George Graham

Men at the helm

Firmly committed to the Tunnel

● **PROFILE: Antoine Jeancourt-Galignani, of Indosuez**

ANTOINE Jeancourt-Galignani is the only chief executive of a major French bank to have survived the Socialist wave of nationalisations and the purges in top management which swept the French banking system four years ago.

With the return of the right in government this year, there has inevitably been another purge in the nationalised banks which are now all targeted for privatisation. But the latest upheavals in the banking system have not affected Mr Jeancourt-Galignani, who remains more than ever in charge of Banque Indosuez, the large internationally orientated bank owned by the Suez financial group.

Under Mr Jeancourt-Galignani's leadership, Indosuez has continued to develop and reinforce its traditional positions "East of Suez." Indeed, it became last year the first European institution to receive a full banking licence in China, with the People's Bank of China giving the French bank authorisation to open a full branch in the economic expansion zone of Shenzhen in southern China.

But Indosuez has also actively reinforced itself in Europe, developing its presence, especially in Nordic countries, to capitalise on its ability to offer "East of Suez" services. It has also been active in the US where it recently bought a majority stake in GNP Commodities, a major financial trader on the Chicago futures markets. The acquisition reflects Indosuez's efforts to step up the development of new financial products and services for its corporate and institutional clients.

Only last month, Mr Jeancourt-Galignani also fulfilled another major ambition of boosting the bank's efforts to develop its securities and stockbroking activities by agreeing to acquire for between £36m and £40m, Wico, the stockbroking subsidiary of Exco, the large UK money broking company.

Indosuez had had its eyes on Wico for some time, because it regarded the Exco stockbroking subsidiary as fulfilling its needs to have a stockbroker in London but one which also had strong positions in the French bank's traditional territories in the Far East.

Mr Jeancourt-Galignani felt that Wico provided "an ideal fit" for his bank's ambitions to develop its securities business in western Europe and the Far East. Indeed, Wico has bases in Tokyo and Hong Kong, as well as London.

The French bank is paying relatively little for Wico, because the price reflects the mass defection of staff at the stockbroking company following a raid by Swiss Bank Corporation. About a quarter of Wico's staff has left, affecting mainly its London and Tokyo operations. However, Mr Jeancourt-Galignani says Indosuez plans to build up again Wico where Mr Patrice Mignon, the Indosuez official who negotiated the Wico acquisition, has just been made managing director.

Another area that Mr Jeancourt-Galignani has been building up is the bank's large project financing business. In line with its historical antecedents, the bank is actively involved in the channel tunnel project. Indeed, it is with the Credit Lyonnais the leading French bank for the French side of the Eurotunnel scheme.

It has already started work on next summer's £750m share placing for the tunnel. To ensure that the next placing turns out into a smoother and less nail-biting operation than this autumn's £206m international share placing, Indosuez is setting up a team of seven to 10 bankers who will be fully absorbed by the next placing.

Despite the risks, Mr Jeancourt-Galignani is firmly committed to the channel tunnel scheme and believes that, if the fixed-link treaty is ratified by the British parliament and the French give the go-ahead for the construction of a high-speed rail link for the tunnel, and if no major surprises crop up during construction, the tunnel will be a commercial success.

The other major pre-occupation of the urbane chief executive of Indosuez is the privatisation of Suez. The bank was disappointed that the Suez group was not picked before its rival Paribas in the Government's first batch of privatisations.

Mr Jeancourt-Galignani argues that, unless Suez can be privatised soon, the group and his bank risk finding themselves at a competitive disadvantege vis-a-vis Paribas.

Paul Betts

National weight, regional strength

● **PROFILE: Jean Dromer, of CIC**

MR JEAN Dromer, the new chairman of the CIC (Credit Industriel and Commercial), likes to say that the group is the fourth largest banking group in France—which helps to focus attention on what is internationally one of the less well known French institutions. But the description also draws a veil across the problems of structure and identity from which it has euffered.

Over the last four years, CIC has been wrestling with tha problems of maintaining its regional character while also giving it more unity and cohesion, which will serve it on a national and international level. Mr Dromer believes that the bank's combination of having a strong regional presence coupled with its national weight is a source of strength in a France that is increasingly important.

At origin, CIC is a network of regional retail banks that operated like a clnb and which bad e common shareholder in the Paris based CIC. Among the 10 regional banks that are members of the group are some of the most important flowers of the French provinces.

After nationalisation in 1982, the unity of the group was reinforced by giving the new parent company, La Compagnie Financiere de Credit Industriel et Commercial, a majority stake in each of the constituent banks. But as the chairman of all the regional banks were named independently by the Minister of Finance (and were sometimes political appointments as well) there was a good deal of dissonance in the group and blocked lines of communication.

Mr Dromer has been able to put more nrder in the house because he was allowed to nominate himself the chairman of the constituent banks. He has also taken over the chairmanship of the Banque de l'Union Europeenne (BUE) — the investment bank formerly owned by the Empain Schneider concern and acquired by CIC after nationalisation—to demonstrate that it is an integral part of the group. He is also chairman of CIC-Paris, the regional bank nf the Ile de France.

Mr Dromer has set up a consultative co-ordination committee to improve liaison and the flow of information within the group and to develop long term strategy. But he leaves no doubt that the final word on policy remains with the Compagnie Financiere and that regional chairmen who do not like it are free to go.

As a group with a large retail network, CIC has been benefiting from the boom in consumer credit and has pushed up personal lending by 37 per cent in the first nine months of the year. As against a tntal loan portfolio in 1985 of FFr 117.8bn on a consolidated basis, and shareholders capital and long-term funds of FFr 23.4bn, it has one of the stronger capital to loan ratios among French banks.

Mr Dromer wants tn see the regional banks developing closer links—and, maybe, cross shareholdings — with similar banks in neighbouring countries such as Italy.

He concedes that the bank'a international side remains weak —a legacy of the foreign network it inherited from its regional subsidiaries—and says that the future of the international division is under consideratinn. One nf the bank's recent ventures is the setting up in London of a new merchant bank, Shire Trust, with former employees of Morgan Grenfell.

David Housego

Sharing the farmers' risk

● **PROFILE: Bernard Auberger, of Credit Agricole**

MR BERNARD AUBERGER took over as head of Credit Agricole this summer, just as farmers in the south were coming to grips with one of the worst droughts of recent years. It has been costly for the giant farmers co-operative bank as well. Under government prodding, and in line with the bank's tradition of belping farmers in time of need, it ie providing FFr 650m to those worst hlt through the writing off of interest payments.

The relief will be spread over three years. Mr Auberger hopes to minimise the impact on the bank's accounts by offaetting a substantial part against tax. But he believes thet Credit Agricole can no more escape carrying its share of the mishaps that befall French agriculture than the major French banks can avoid sharing part of the cost of major industrial bankruptcles. His concern is to see that sucb calls on the bank's funds are limited in number and do not damage its competitiveness.

Mr Auberger came to Credit Agricole with the experience behind him of both the Miniatry of Agriculture—as e departmental head—and of banking (et Societe Generale).

Under his first hat he thinks that French agriculture still has ten potentially difficult years ahead before it becomes competitive. As a banker, he believes that the Caisse Nationale do Credit Agricole will have to help it over the bumps while strengthening its own competitiveness.

Credit Agricole gains two main benefits from being the farmers' bank. It has a monopoly in distributing state-subsidised credits for agriculture, and it is also the bank wbere notaries' funds are deposited.

Both privileges would stand to go if Credit Agricola were privatised — as seemed likely to be the case this summer.

But privatisation at the moment bangs fire in a dispute between the Ministry of Agriture and the Ministry of Finance.

The Ministry of Agriculture had been pressing for an early privatisetion that would effectively have turned the bank into a mutualist association owned by its regional networks. It proposed as well thet the proceeds from privatisation be devoted to the modernising of French agriculture.

The *Ministry* of Finance believes that a privatised Credit Agricole should abandon its privileges and compete on the same basis as nther retail banks. It is also at odds with the Ministry of Agriculture and the regional banks nver *the* price.

Mr Auberger believes that, if the issue is not settled in the coming months, it will be postponed until after the presidential elections.

He has, meanwhile, carried out an internal reorganisation of the bank that establishes new divisions for its main activities. These are: agriculture, personal clients, corporate sector, capital markets, international, and housing.

With 25 per cent of its activity stemming from personal accounts, Credit Agricole is one of the banks that stands to gain most from customer acceptance of bank charges on the use of cheqnes. Eight of the bank's regional networks have already taken a step in that direction.

David Housego

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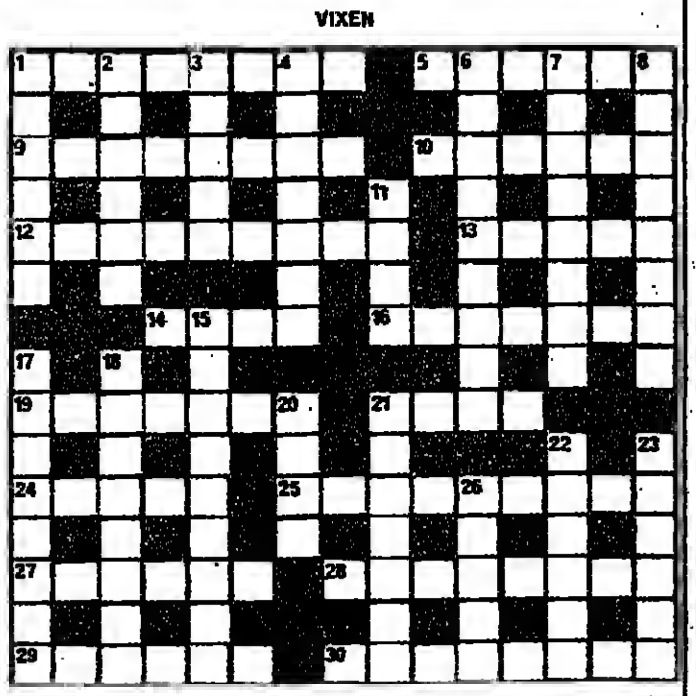
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

FT CROSSWORD PUZZLE No. 6,207

VIXEN



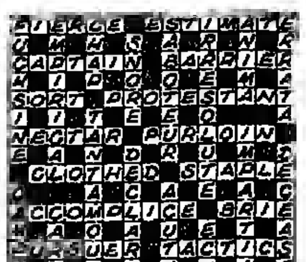
ACROSS

1 The flight made pets ill (8)
5 Lines in the solicitor's test (6)
9 A message about a motorway—quite courteous (8)
10 Parking in a ring, call for assistance (6)
12 Members of the family needing change it reveals (9)
13 The German soldiers both returned the duck (5)
14 Capital growth (4)
16 Six-footer interrupted by coppers making check (7)
19 Eat all fruit outside (7)
21 Staffs taking certain measures (4)
24 Turn up (2-3)
25 Found private American backing at one point—beat that! (9)
27 Serve a non-drinker, getting a tip (8)
28 Gratifying puff about sale arranged (8)
29 Some rebel eventually, though not very many (6)
30 A churchman has to tear around always (8)

DOWN

1 Apples for a Cockney (6)
2 At some distance switches failed (6)
3 A factory that is growing (5)
4 Free transport (7)
6 Checked newspapers sitting in the tall grass (9)
7 Incurred indebtedness which may be exaggerated (8)
8 Allow for role-playing in the gallery (8)
11 It's an Italian wine—like it sent back? (4)
15 One will accept cake, and possibly plenty! (9)
17 Bill presented to a cleric as correct (8)
18 A French company let out there'll be trouble (8)
20 Every one is within easy reach (4)
21 To break up requires courage (7)
22 A mother given time for causing injury (6)
23 The man swallowed a lot, though very angry (6)
26 Getting in a heartless nurse is really foolish (5)

Solution to Puzzle No. 6,206



AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc.	95.3	150.4	+0.1	—
American Acc	100.2	105.6	+0.6	—
Deposit Acc	96.8	101.1	+0.1	—
European Acc	110.2	116.0	+0.6	—
Far Eastern Acc	112.9	118.9	-0.3	—
Fixed Interest Acc	94.3	99.4	-0.4	—
International Acc	102.6	114.3	+0.5	—
Property Acc	119.8	126.1	-0.7	—
UK Equity Acc	93.3	98.2	-0.1	—
Alpha Range—Pensions				
Managed Acc.	97.7	102.9	+0.1	—
Premier Range				
Managed Acc—Life	107.2	112.9	-0.4	—
Managed Acc—Pensions	108.3	114.0	-0.5	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	254.71	268.12	-0.50	—
Managed Income	118.23	124.46	-0.25	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	356.1	374.9	....	—
Managed Accum.	301.9	317.8	....	—
Equity Accum	437.3	463.9	....	—
Property Accum	207.1	218.0	....	—
International Accum	279.1	293.8	....	—
Gilt-edged Accum	196.7	207.1	....	—
Money Accum	176.6	185.9	....	—
American Accum	131.3	138.2	....	—
Australia Accum	167.7	[illegible]	....	—
Financial Accum	284.9	[illegible]	....	—
"500" Accum	221.4	233.1	....	—
European Grwth Accum.	145.3	157.0	....	—
Income Accum	242.3	255.1	....	—
Japan & Gen Accum	322.9	[illegible]	....	—
Leisure Accum	142.3	156.2	....	—
Spec Sits Fd Accum	122.7	129.2	....	—
Universal Tec Accum	109.5	[illegible]	....	—
Managed Pns Accum	405.5	426.9	....	—
Equity Pns Accum	145.0	156.8	....	—
Intnl Pns Accum	155.4	163.6	....	—
Gilt-edged Pns Accum	251.2	264.1	....	—
Money Pns Accum	257.4	271.0	....	—
Property Pns Accum	137.5	143.2	....	—

For prices of Initial Units phone 01-534 5544

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405261

Black Horse Man. Fd.		365.86	....	—
Income Fd.	334.67	352.29	....	—
Extra Income Fd.	318.31	335.07	....	—
Worldwide Growth Fd.	333.40	350.95	....	—
Balanced Fd	295.45	311.01	....	—
Smlr Co's & Recry Fd.	364.03	383.19	....	—
Int. Technology Fd	130.74	137.62	....	—
Nth. Amer. & Gen. Fd.	207.02	217.93	....	—
Energy Int. Fd.	119.15	125.42	....	—
Pacific Basin Fund	249.25	262.37	....	—
German Growth Fd	144.13	151.72	....	—
Japan Growth Fund	145.23	152.87	....	—
Equity UK Grwth Fd	163.45	172.05	....	—
Equity Cnt Eur Grth Fd	99.63	104.88	....	—
Property Fd.	182.50	192.11	....	—
Fixed Interest Fd.	174.45	183.63	....	—
Cash Fd.	167.65	176.47	....	—
Managed Inv. Fd.	251.66	264.91	....	—

British National Life Assurance Co Ltd
Perrymount Road, Haywards Heath 0444 414111

Managed Fd.	209.8	[illegible]	....	—
Property Fd.	173.4	[illegible]	....	—
Equity Fd.	[illegible]	254.[illegible]	....	—
New Tech Fd.	154.3	[illegible]	....	—
American Fund	[illegible]	[illegible]	....	—
Intl. Fd.	[illegible]	[illegible]	....	—
Fixed Int. Fd.	113.7	[illegible]	....	—
Deposit Fd.	121.6	128.0	....	—
Managed Series 2	209.5	221.[illegible]	....	—
Intnl Series 2	[illegible]	[illegible]	....	—
Equity Series 2	[illegible]	250.[illegible]	....	—
Managed Pens. Acc.	251.7	[illegible]	....	—
Managed Pens. Cap.	227.4	[illegible]	....	—
Property Pens. Acc.	204.1	[illegible]	....	—
Equity Pens. Acc.	297.3	313.0	....	—
New Tech Pens. Acc.	177.8	187.[illegible]	....	—
Intl. Pens. Acc.	[illegible]	[illegible]	....	—
Fixed Int. Pens. Acc.	152.7	160.7	....	—
Savory Mla SMF Life	135.6	[illegible]	....	—
Cobbold SMF Life	140.8	143.2	....	—

Canada Life Group
2-6 High St, Potters Bar, Herts P. Bar 51122

Equity Gth Sept 29		1,579	—	—
Retirement		[illegible]	—	—
Individual Pension—Distribution				
Managed Pen Fund	319.2	336.[illegible]	—	—
Property Pen Fund	[illegible]	[illegible]	—	—
Index-Linked Pen Fd	[illegible]	113.[illegible]	—	—
Series C Pension—Accumulative				

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Dec 10	258.5	272.5	....	—
Fixed Int(A&B) Dec 10	164.0	173.0	....	—
Man Grwth(A&B) Dec 10	531.0	559.0	....	—
Money Fd(A&B) Dec 10	142.5	150.5	....	—
Cap Fd(A&B) Nov 15		410.0	....	—
G & S Spec Fd(A&B) Nov 15		169.0	....	—
FarEastEq(A&B) Dec 10	187.3	197.5	....	—
N.Amer Eqty(A&B) Dec 10	106.0	112.2	....	—
IntTechEq(A&B) Dec 10	155.5	164.0	....	—
Property (A&B) Dec 10	197.5	208.0	....	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	142.6	150.4	-0.3	—
American Equity	123.1	129.8	-1.6	—
Far East Equity	170.1	179.4	-1.4	—
Managed Fund Acc.	371.0	391.0	....	—
International Equity	187.1	197.3	+0.6	—
Gilt Edged	183.4	193.4	+0.2	—
Money Fund	145.0	152.9	+0.1	—
CCL Henderson	151.0	170.6	....	—
CCL Perpetual	202.0	213.1	-0.1	—
CCL Property	228.3	240.8	-1.6	—
Smaller Cos.	255.8	269.8	+1.3	—
Perpetual Eurogrowth	115.8	122.1	-7.5	—
CCL Hendron Prime Res	97.6	102.9	....	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	174.8	184.0	....	—
Criterion Mngd Fund	167.4	176.2	....	—
Pension Mngd Cap	53.0	55.7	....	—
Pension Mngd Acc	62.5	65.7	....	—
Pension G'nteed Dep Ac	34.8	36.6	....	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	100.8	106.1	+0.4	—
Equity Acc	379.5	399.4	+0.4	—
European Acc	184.2	193.8	+2.9	—
Fixed Interest Acc	211.3	222.4	-0.6	—
High Income Acc	362.4	381.4	+0.4	—
Intnl. Acc.	346.5	364.7	+0.6	—
Inv. Trust Acc	415.4	44.0	....	—
Japanese Acc	167.0	175.7	-0.7	—
Managed Acc	314.2	330.7	....	—
Money Acc	179.7	189.2	....	—
Property Acc	186.6	196.4	....	—
Individual Pension Fund(z)				
American	114.4	120.4	-3.0	—
Equity	387.7	408.1	+4.5	—
European	257.2	270.7	-5.5	—
Fixed Interest	203.7	214.4	+3.5	—
International	162.2	170.7	-2.4	—
Investment Trust	146.0	153.6	+1.8	—
Japanese	239.3	251.9	-3.2	—
Managed	279.6	294.3	+1.9	—
Money	174.7	183.8	+0.4	—
Property	107.3	112.9	+0.1	—
Group Pension Funds(z)				
American	127.1	133.3	-3.0	—
Equity	405.3	419.9	+4.6	—
European	259.2	272.7	-5.5	—
Fixed Interest	221.3	231.3	+3.7	—
International	165.9	172.9	-2.4	—
Investment Trust	149.3	154.7	+1.8	—
Japanese	244.8	253.6	-3.2	—
Mixed	383.3	397.1	+2.8	—
Money	226.1	234.3	+0.5	—
Property	139.0	113.7	+0.1	—
Other Funds(z)				
[illegible]	499.5	525.7	+9.8	—
[illegible]	469.2	485.3	....	—
[illegible]	138.3	146.1	-0.7	—
Growth Acc	209.5	220.5	+1.4	—
Heritage	218.4	229.8	+1.5	—
[illegible]	109.5	115.3	+0.1	—
[illegible] Managed Pens	123.1	129.5	+0.6	—
PE [illegible]	249.8	262.9	-2.1	—
Save	168.9	177.7	+3.1	—

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 07372 42424

Managed Performance	98.9	104.6	+0.2	—
Performance Plus	100.4	105.9	+0.2	—
With Profit Perform	96.8	102.4	....	—
UK Cooperation	96.0	101.5	+0.8	—
European Opportunity	109.3	115.7	+0.2	—
Nth American Cap.	96.1	101.6	+0.3	—
Far Eastern	101.3	106.8	-0.3	—
Gwth Prop Ser 1 Dec 4	136.9	150.0	....	—
Gwth Prop Ser 2	95.5	101.0	....	—
Fixed Interest	92.1	97.5	-0.4	—
Cash	96.6	102.1	+0.2	—
Managed Pens (has 18)	282.65	288.84	....	—

Devonshire Life

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INSURANCE, OVERSEAS & MONEY FUNDS

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79037

Central Assets Currency Funds Ltd

£ Sterling		+0.02	10.51
US$	$14.82	+0.01	5.61
D Marks		+0.06	
Swiss Francs	SFr55.81		1.36
Fr Francs	FFr167.95	+0.10	7.12
Dutch Guilders		+0.02	
Ecu's		+0.02	
Japanese Yen	Y3,115	+2	3.78
Belgian Francs	BFr792.97	+0.08	

Charterhouse Currency Funds Ltd

£ Sterling	£40.62	+0.01	10.93
US$	$19.95	+0.02	
D. Marks	DM40.09	+0.02	3.77
Swiss Francs	SFr30.20		1.50
Fr Francs	FFr102.72	+0.06	7.05
Japanese Yen	Y3,046	+1	
Ecu's	Ecu20.31	+0.01	

Citibank (CI) Ltd "Citifunds"
Green Street, St Helier, Jersey, CI 0534 70334

Liquidity Funds

Deutschmark	22.801	+0.003	—
Japanese yen	2311.183	+0.183	—
Sterling	6.997		—
Swiss Franc	21.525		—
US dollar	13.192	+0.005	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Trading hectic on oil market

BY LUCY KELLAWAY

THE OIL market yesterday had one of its most hectic days since the summer with prices first falling sharply, and then climbing on a mass of confused news from the Opec meeting in Geneva.

By mid-afternoon in New York, West Texas Intermediate was trading at about $16.20, after having first dropped to $15.35, and then rapidly climbed to $16.50.

The turnaround came in mid morning when traders, which were increasingly coming round to the view that Opec had lost all its initiative, suddenly changed their minds on reports that Opec Ministers were congregating in Geneva for the final meeting of the session.

"A rumour was put out that they were about to agree. There was a panic and everyone dashed to cover their short positions," said one New York broker. The confusion was added to by a half-hour fire drill on the New York Mercantile exchange, during which passions cooled, and the price reopened about 15 cents lower. By the middle of the afternoon traders were said to be waiting "with incredible excitement" for further news.

The Brent market yesterday was cast about by Nymex. Trading was frantic at times, and up to 20 cargos changed hands for February delivery alone, with prices ranging from $15.57 to over $16. By the end of the day February prices were being quoted at $16.10, about 40 cents higher than Wednesday's close.

Opec production deal hangs on Iraqi quota demand

BY RICHARD JOHNS IN GENEVA

THE CHANCE of the Organisation of Petroleum Exporting Countries cutting collective oil output from 17.2m to 17.3m b/d to 15.8m b/d depended last night on Iraq's villingness to drop, or qualify, its demand for a production quota equal to that of Iran.

A full ministerial session — the first since Monday evening — was planned last night to discuss a compromise. Delegates indicated its essence involves other Arab producers on the Gulf making available to Iraq part of their quotas under a revised sharing pact.

In effect that would mean an increase in "the war relief" crude being supplied to fellow Arab states which has been running at 310,000 b/d; 190,000 b/d from Saudi Arabia and 120,000 b/d from Kuwait.

It seemed that any acceptance of such a compromise would have to be temporary—lasting probably for no more than three months.

At the start of the conference Iran offered Iraq a quota of 1.6m b/d. Quotas of 1.2m b/d for Iraq and 2.4m b/d for Iran were agreed in 1984 and form the basis of the temporary production limitation pact which expires at the end of the year.

Sheikh Ali Kalifa el Sabah, Kuwait's oil minister, emphasised that there would have to be unanimity, with any new pact including Iran and Iraq.

All members recognised last night that the conference must end today. The Venezuelans and Nigerians have confirmed flight bookings for Saturday, to return home for Christmas.

The aim of the protracted deliberations is raising price levels to about $18 per barrel in line with the demand of King Fahd of Saudi Arabia in October and what amounts now to a general Opec consensus.

Earlier in the afternoon Mr Qassim Taki, Iraq's oil minister said his position was unchanged. The Iranian delegation said concessions were still needed from the Iraqi regime.

US administration considers abandoning acreage reduction

BY NANCY DUNNE IN WASHINGTON

CHANGES IN the US farm programme, which would end Government acreage reduction schemes and allow production to be linked to market demand, are under serious consideration by the Reagan administration.

Legislation introducing the concept, proposed last year by Senator Rudy Boschwitz, a Minnesota Republican, and Senator David Boren, an Oklahoma Democrat, failed to pass by just nine votes.

Both Mr Richard Lyng, the US Agriculture Secretary, and Mr Larry Speakes, the President's Spokesman, have said the proposal will be considered by the Administration. The agribusiness lobby is also expected to throw its support behind the measure.

The scheme would add new surpluses to the world's already burdensome stocks, but in the view of many in Congress the US has borne the brunt of those costs unfairly. "The US is the only country foolish enough to rely on acreage reduction as part of its agricultural policy," said Senator Boschwitz in a recent speech.

Acreage reduction is now linked to price supports and other benefits extended to farmers who sign up with the Government. However in the view of Senator Boschwitz, acreage reduction raises production costs per unit and makes them "artificially uncompetitive with farmers in other countries."

"Fixed costs just don't go away when land is idled," he said. "Instead, they must be spread over fewer bushels, bales or pounds of production."

Farmers, he said, should continue to receive fixed Government income supports, not related to market forces and phased out over a period of years. If farmers knew they could count on certain payments, they could plan their operations accordingly. However, the Government should not be in the business of making "perpetual income transfers to the farm sector," he said.

There is widespread discontent both in Congress and in the farm belt with the 1985 programme. Another totally different concept, strongly opposed by the Administration, is the "Save the Family Farm Act," which has strong support in farm country. It would force crop prices up by idling millions of acres of farm land. It would also virtually remove the US from the export market.

Brighter hopes for Brazil's soya harvest

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S soya harvest could recover by up to 24 per cent from last year's disastrous 13m tonnes, in spite of a near 7 per cent cut in the area under cultivation.

Exports, which this year are forecast to have fallen in value by $900m (£629m), to $1.6bn, may remain depressed because of sharply increased internal demand and poor world prices.

Figures released this week by the government's farm financing company and the Institute for Geography and Statistics paint a rosier picture of Brazil's farming outlook for 1987 after the catastrophic droughts of last season.

They project—weather permitting—an increase in production of about 62m tonnes for cereal and oilseed crops, or an 11 per cent improvement on 1985-86.

According to the IBGE, land under cultivation in the key centre-south and westerly Rondonia regions will rise by only a modest 1.2 per cent compared to last year, although this represents a 9.2 per cent increase on the area actually harvested last year, after 2.2m drought-hit hectares were abandoned.

US expected to lower sugar support prices

BY NANCY DUNNE

THE US Department of Agriculture (USDA), is expected to propose legislation which would drop the high support price of domestically produced US sugar over the next five years and pay American farmers a subsidy to compensate for thier reduced returns.

A Dpartment official said the details of the Bill will not be decided until the budget for fiscal 1988 is produced early next year. The USDA has not yet decided if domestic prices will be allowed to drop to world market levels.

On Monday the Department announced a 41 per cent cut in 1987 import quotas as a result of increased domestic production. Mr Richard Lyng, the US Agriculture Secretary, said that production increases would make imports totally unnecessary in two years.

The Reagan Administration has repeatedly denounced the sugar programme, passed by Congress in 1981. President Reagan agreed not to oppose the scheme in exchange for votes in favour of his tax cut measure.

When the new Congress meets next year it will be missing one of the sugar producers' most powerful supporters, Senator Russell Long of Louisiana, who is retiring. However, agricultural subsidies have become increasingly unpopular, and Congress may not wish to abandon the quotas in favour of industry assistance which would add new burdens to the budget.

US sugarbeet production shot up 12 per cent this year

President Reagan . . . denounced sugar programme

Brazilian coffee trade looks for fresh start

By Ann Charters in Sao Paulo

THE BRAZILIAN coffee trade, which feels it has suffered a severe roasting this year as a result of serious miscalculations by the official Brazilian Coffee Institute (IBC), is hoping for a fresh start in the country's coffee policy today with the inauguration of a new body to oversee the sector.

In Brasilia, the Government is to set up a National Coffee Policy Council, and may end the suspense which has been gripping the market over the country's export plans for next year. Brazil is normally the world's largest coffee exporter, and coffee is one of its biggest single sources of foreign exchange.

The immediate question for the trade is: will Mr Paulo Graciano, blamed in part for the trade's troubles in a year which saw the coffee crop reduced by nearly two thirds as a result of drought, be allowed to stay on as president of the new slimmed-down IBC?

Mr Graciano has defended the IBC's export record, saying that with the sale of more than 8m bags — and perhaps as many as 10m by the end of the year — Brazil will have earned some $2.4bn in 1986 — nearly as much as last year, when export volume was twice as high.

Nevertheless, earlier estimates predicted that coffee earnings could be as much as $4bn this year. Many producers believe that the IBC, in a series of marketing blunders, threw away the opportunities offered by the crop shortfall and the resulting rise in prices.

First, producers and exporters were encouraged to hold on to their coffee during the early autumn, expecting higher prices still near the end of the year. Brazil expected foreign roasters to return to the market, buying coffee to meet increased northern hemisphere consumption in the winter months.

But according to producers and traders, the IBC seriously miscalculated world coffee stocks. And instead of flocking to Brazil, foreign roasters substituted other coffees in their blends; demand for Brazilian coffee remained lukewarm.

It (the IBC) turned Brazil's coffee shortage from last year's drought into a surplus that does not sell," said Mr Mauricio Lima Verde, president of a rural coffee syndicate in Sao Paulo and a member of the new coffee council. "We have an obligation as an exporting country to sell coffee."

Furthermore, in a move which dumbfounded the market in September, Brazil actually bought coffee in Europe in a bid to reawaken international demand and raise prices. But it was unsuccessful in that prices continued to slip once Brazil stopped buying. In the meantime, domestic prices stayed high, outpricing export prices and making it even more difficult for exports.

According to the Institute, Brazil is entering 1987 with stocks of at least 15.5m bags (60 kg each). Of the total, traders estimate that 2.5m bags belong to the IBC, 5m are in the hands of the roasting industry (an unusually low figure), 6m are available for export and 4m will meet domestic consumption requirements. Stocks may be as high as 17m bags, in addition to the IBC's recently acquired 500,000 bags sitting in Rotterdam.

To escape the present impasse, the IBC is proposing that beginning in the New Year, coffee exports be priced at an average between Central American milds and African robustas. It is thought that exporters will receive a subsidy until such time as domestic prices fall closer to international levels.

It is still open to question, though, whether such policies will meet with the approval of the new coffee council. With 10 growers' representatives, six exporters, two from the roasting industry and two from the instant coffee companies—all with their own vested interests—fighting has already begun.

North Sea bears the brunt of fish cuts

BY TIM DICKSON IN BRUSSELS

AFTER nine days and nine largely sleepless nights in which he presided over the negotiations of major reforms of the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP), Mr Michael Jopling might be forgiven for thinking he can walk on water. But even Britain's triumphant Farm Minister cannot convincingly argue, as he tried to do yesterday, that his "encore" performance in fixing EEC fishing quotas for 1987 represents both a major victory for the conservationists and a good deal for UK fishermen.

It is true that EEC Fish Ministers decided to raise the Total Allowable Catch (TAC) for certain species on which there is little or no scientific evidence while new information from experts actually encouraged them to increase the Commission's original proposal for a TAC on western mackeral from 294,000 tonnes to 372,000 tonnes (a move which particularly pleased the Dutch). But these relatively minor modifications cannot disguise the deep cuts approved for the main North Sea stocks of cod, haddock, whiting, and plaice and which provide major sources of income for the English and Scottish fishing fleets.

Most of these quotas are in any case for "joint stocks"—jointly owned with Norway or Sweden—so that the scope for changing them this week was limited by the European Commission's already successful negotiations with the Norwegians. The Council, more over, specifically committed itself last ear taking to the advice of scientific experts, so that the negotiations of the last two days mainly reflected Ministerial attempts to move the TACs from the pessimistic end of the experts' range favoured by the Commission, to the more optimistic end of the scale preferred by politicians.

Several other important issues were resolved at this week's meeting which was so successful in achieving its aims that the planned January EEC Fish Council has now been cancelled. An important new conservation measure in the German Bight, for example, should help protect young cod stocks by limiting fishing in the first and last quarters of 1987 to nets with a minimum mesh size of 100mm. The Commission as a result plans to re-open negotiations with Norway to re-examine the agreed TACs.

Spanish and Portuguese sensitivities, were soothed, meanwhile by a decision to increase the quotas for monkfish, megrim, Norwegian lobster and pollack, species which are important to these countries and which were brought into the CFP at enlargement earlier this year. Original Commission proposals for deep cuts were revised to bring the quotas back into line with this year's levels.

The French, however, failed to achieve their demand for only an 8 per cent cut in the guide price for tuna with the Presidency's compromise of minus 10 per cent accepted by the other member states.

In a hotly debated move the Dutch Fisheries Minister, Mr Gerrit Braks, was allowed a one year "derogation" on a proposal agreed in September to restrict fishing in inland waters off the Western European coast to boats with a maximum beam length of 8 metres. This is likely to have a serious effect on the oversized Dutch fleet which typically uses 20 metre beams at the moment.

EEC FISH QUOTAS (tonnes)

	1987	1986
Cod	116,500	161,300
Haddock	129,500	195,200
Whiting	101,490	101,490
Plaice	149,500	177,400
Saithe	96,000	120,200
Sole	11,000	20,000
Western Mackerel	372,000	334,000

LONDON MARKETS

ZINC PRICES rose sharply on the London Metal Exchange yesterday under the influence of what appeared to be buying by producer interests. The cash price jumped by £23.50 to close at £567 per tonne, its highest level since the first half of November. The premium for cash metal over three months also rose. The market was, however, off its peak by the end of trading. The sudden burst of buying caught many traders short and caused a break through resistance points on price charts. Analysts said they now expect fund buying to reenter the market, which had apparently become oversold in recent weeks following its autumn rally. On the London Commodity Exchange, robusta coffee futures steadied following their latest fall, with the March position rising £16 to £1,768.50 per tonne. Dealers said there was little fresh fundamental news, and most of the activity reflected technical factors.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Dec. 17	Dec. 16	M'th ago	Year ago
1541.0	1637.3	1608.1	1773.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 17	Dec. 16	M'th ago	Year ago
Spot	115.69	116.58	—	122.17
Fut	110.64	115.63	—	129.54

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

ALUMINIUM
COPPER
LEAD
NICKEL
TIN
ZINC
GOLD
SILVER
SOYABEAN MEAL
COFFEE
COCOA
POTATOES
GRAINS
RUBBER
HEAVY FUEL OIL
MEAT
SUGAR
OIL
GAS OIL FUTURES
FREIGHT FUTURES

[illegible]

US MARKETS

DEVELOPMENTS in Geneva made for choppy trading in the oil markets, where a chart technical key reversal was seen in the leading February crude oil delivery, reports Heinold. The announcement of the first formal meeting of Opec members since Monday, which was to be held in the evening, encouraged some aggressive short-covering, following a very weak opening with values trading at one point over 50c below previous closing levels. News of the meeting and of an announcement from the UAE oil minister, who suggested that an agreement to cut Opec production by 7.25 per cent had been reached, led to highs of $16.70, before caution seemed to pare these gains. Gold futures gained in sympathy, reversing early losses to record gains of $2.5 per ounce to close at $397.8 in the leading February delivery. Sugar futures managed to remain mainly stable, following the collapse of values earlier in the week after US intentions to halve import quotas in 1987 had been made known. The March delivery gained modestly, closing 6 points higher at 6.18c per pound, but some traders saw this as encouraging in the face of considerable bearishness on the part of both technical and fundamentals.

NEW YORK
CHICAGO

[illegible]

SPOT PRICES—Chicago loose lard 14.00 (14.50) cents per pound. Handy and Harman silver bullion 536.0 (536.5) cents per troy ounce.

FOREIGN EXCHANGES

US figures fail to impress

THE DOLLAR finished slightly down on the day in very quiet trading. It was difficulty to establish any sort of trend because orders in the market tended to distort rates out of all proportion because of the generally low volume. A rise of 0.3 per cent in November US personal income and a 1.1 per cent rise in consumer spending failed to lift the market. The rise in personal income was in line with expectations while consumer spending was well above markrt predictions. This still failed to have any effect since most banks and institutions had already retreated to the sidelines ahead of the New Year.

The dollar closed at DM2.0080 compared with DM2.0160 and Y162.85 compared with Y163.60. Elsewhere it finished at SFr1.6875 from SFr1.7010 and FFr6.5875 compared with FFr6.60. On Bank of England figures, the dollar's exchange rate index fell from 111.1 to 110.9.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. November average 1.4259. Exchange rate index 68.5, unchanged from the opening and compared with 68.6 on Wednesday. The six months ago figure was 75.5.

Sterling was very steady during the day. This was reflected in its exchange rate index which was 68.5 at each one of the day's calculations. Uncertainty about the Opec meeting and conflicting reports about a possible rise in oil prices tended to cloud the issue but one again there was little incentive to open fresh positions ahead of the year end. The pound closed at $1.4310 from $1.4300 but eased to DM2.8750 from DM2.8825. It was also weaker against the yen at Y233.245 from Y234.0 and SFr2.4150 compared with SFr2.4325. Against the French franc it slipped to FFr9.4275 from FFr9.4375.

In Lagos the Nigerian naira was quoted at 3.30 naira to the dollar compared with 3.20 the week before. The naira's decline was mainly a reflection of tha central bank's decision to reduce the amount of US dollars on offer at the auction to $50m from $75m the week before. The offective rate for transactions, which includes a 0.5 per cent central bank levy was 3.3166. This official rate will remain in force until January 8 when the next auction is due to take place.

DEUTSCHE MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9660. November average 2.0227. Exchange rate index 143.0 against 134.8 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt and the dollar was fixed at DM 2.0118 from DM 2.0167. Trading was restricted to a narrow range ahead of the year end and news that Mr Karl Otto Poehl, Bundesbank president, had rejected ideas of a controlled dollar/Deutschn Mark rate appeared to have little effect.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 204.8 against 205.6 six months ago.

Trading was predictably quiet in Tokyo yesterday. There were no fresh factors to influence trading and in view of the proximity of Christmas and the New Year there was little incentive to trade anyway. The dollar closed at Y163.20 from Y163.75 on Wednesday. There was some interest expressed in the release of US economic statistics after the close of trading in Tokyo but once again there appeared to be little prospect of any serious trading before the New Year.

£ IN NEW YORK

Dec 18	Latest	Previous Close
£ Spot	1.4305-1.4315	1.4300-1.4310
1 month	0.56-0.53 pm	0.52-0.51 pm
3 months	1.79-1.74 pm	1.66-1.62 pm
12 months	6.35-6.25 pm	6.44-6.34 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Dec. 18	Previous
8.30 am	68.5	68.5
9.00 am	68.5	68.5
10.00 am	68.5	68.6
11.00 am	68.5	68.7
Noon	68.5	68.6
1.00 pm	68.5	68.6
2.00 pm	68.5	68.7
3.00 pm	68.5	68.7
4.00 pm	68.5	68.6

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Brazil	20.7820-20.9010	14.5380-14.6110
Finland	7.0295-7.0405	4.9200-4.9220
Greece	201.05-204.55	140.70-143.05
Hong Kong	11.1365-11.1475	7.7955-7.7975
Iran	110.20*	76.75*
Korea (Sth)	1233.10-1244.25	862.40-869.40
Kuwait	0.42060-0.42120	0.29435-0.29455
Luxembourg	59.85-59.95	41.80-41.90
Malaysia	3.7095-3.7155	2.5970-2.5990
N. Zealand	2.7410-2.7485	1.9175-1.9215
Saudi Ar.	5.3625-5.3675	3.7525-3.7535
Singapore	3.1305-3.1355	2.1905-2.1925
S. Af. (Cm)	3.1955-3.2050	2.2345-2.2395
S. Af. (Fn)	6.0855-6.3555	4.2555-4.4445
Taiwan	51.25-51.50	35.85-35.95
U.A.E.	5.2480-5.2530	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3293	+0.50	+1.22	±1.5368
Danish Krone	7.81701	7.87179	+0.70	+1.32	±1.6403
German D-Mark	2.11083	2.08196	−1.37	−0.75	±1.1127
French Franc	6.87316	6.82770	−0.66	−0.04	±1.3659
Dutch Guilder	2.37833	2.35279	−1.07	−0.45	±1.5059
Irish Punt	0.764976	0.765177	+0.03	+0.65	±1.6683
Italian Lira	1476.95	1443.96	−2.23	−1.92	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4270-1.4315	1.4305-1.4315	0.53-0.50c pm	4.32	1.70-1.65c pm	4.68
Canada	1.9695-1.9755	1.9730-1.9740	0.54-0.44c pm	2.98	1.43-1.28 pm	2.75
Netherlands	3.24¼-3.25¼	3.24¾-3.25¾	1⅜-1¼c pm	4.62	4-3¾pm	4.77
Belgium	59.70-59.95	59.85-59.95	23-18c pm	4.11	55-47pm	3.41
Denmark	10.85½-10.88	10.86¼-10.87¼	2¼-¼ore pm	1.59	5¼-3¼pm	1.66
Ireland	1.0540-1.0600	1.0555-1.0565	0.15-0.30p dis	−2.56	0.50-0.75 dis	−2.37
W. Germany	2.87-2.88	2.87-2.88	1½-1¼ pf pm	6.00	4¼-4⅛ pm	5.91
Portugal	213.45-214.51	213.65-214.50	85-117 c dis	−5.66	220-327 dis	−5.11
Spain	193.90-194.50	194.10-194.40	15-35 c dis	−0.26	30-85 dis	−1.18
Italy	1989¾-1997¾	1994½-1995½	1pm-2 lire dis	−0.30	2 pm-2 dis	—
Norway	10.80¾-10.87½	10.84¾-10.85¾	2⅞-4⅛ ore dis	−2.77	9⅞-11 dis	−2.44
France	9.40¾-9.45¾	9.42¾-9.43¾	2⅞-1⅞ c pm	2.35	4⅞-3⅞ pm	1.75
Sweden	9.91½-9.94¼	9.93-9.94	1⅜-1 ore pm	1.59	3⅞-2⅞ pm	1.33
Japan	232¼-233¾	232¾-233¾	1⅞-1⅞ y pm	6.77	3⅞-3⅞ pm	6.44
Austria	20.19-20.24	20.21-20.24	9¼-8⅞ gro pm	5.30	28⅞-24⅞ pm	5.19
Switzerland	2.41-2.42½	2.41-2.42	1⅞-1⅞ c pm	6.21	4⅞-3⅞ pm	6.63

Belgian rate is for convertible francs. Financial franc 60.35-60.45. Six-month forward dollar 3.45-3.40 c pm. 12-month 6.50-6.40 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Dec. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4270-1.4315	1.4305-1.4315	0.53-0.50c pm	4.32	1.70-1.65 pm	4.68
Ireland†	1.3512-1.3550	1.3540-1.3550	0.80-0.70c pm	6.66	2.40-2.30 pm	6.95
Canada	1.3787-1.3805	1.3790-1.3800	0.14-0.17c dis	−1.35	0.65-0.70 dis	−1.96
Netherlands	2.2685-2.2725	2.2695-2.2705	0.11-0.07c pm	0.47	0.15-0.10 pm	0.22

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.
£	1	1.431	2.875	233.3	9.428
$	0.699	1	2.009	163.0	6.588
DM	0.348	0.498	1	81.13	3.279
YEN	4.287	6.135	12.33	1000.	40.42
F Fr.	1.061	1.518	3.050	247.4	10.
D Fr.	0.414	0.593	1.190	96.58	3.904
H FL	0.308	0.441	0.886	71.82	2.903
Lira	0.501	0.717	1.441	116.9	4.726
C $	0.507	0.725	1.457	118.2	4.777
B Fr.	1.669	2.389	4.800	389.4	15.74

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Active trading in gilts

LONG TERM gilt futures remained active on the London International Futures Exchange yesterday, although a dealer at one of the largest operators in the market suggested that the volume of trading since Big Bang in the City, at the end of October, partly represents aggressive tactics adopted by the new market makers to establish themselves as major forces in cash and futures trading. Gilts for March delivery opened at 109-13, and quickly rose to 109-16, before falling to 109-08. There was support at that level, and the contract recovered to 109-22. A larger than expected rise of 1.25 per cent in November UK M3 money supply, compared with 0.1 per cent in October was considered disappointing, as was an increase of 1 per cent in November M0 money supply growth. The ris of £3.9bn in bank lending, compared with £3.45bn the previous month, was also well above expectations, and pushed the March contract down to 109-17.

It showed signs of recovery until a rise of 8.3 per cent in UK average earnings in the year to October was announced. This compared with 6.1 per cent in the year to September, and led to renewed selling. March gilts retreated 109-16, but then reacted to the firmer trend in US Treasury bond futures, and rose to a peak of 109-28, before closing unchanged at 109-18.

Three-month sterling deposits for March delivery opened at 88.75, but this was the day's low, reflecting initial disappointment at the weakness of sterling on the foreign exchanges. It rose to 88.79 ahead of the UK money supply figures, and then fell back to 88.77. The contract touched a peak of 88.81 in the afternoon, and closed at 88.80, against 88.78 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	9.38	9.61	0.02	0.17
102	7.43	8.12	0.07	0.32
104	5.53	6.35	0.17	0.55
106	4.12	5.05	0.40	1.25
108	2.51	3.53	1.15	2.09
110	1.46	2.49	2.10	3.05
112	0.62	1.60	3.26	4.16
114	0.32	1.20	4.60	5.40

Estimated volume total, Calls 696 Puts 725

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	9.38	9.07	0.02	0.29
92	7.42	7.28	0.06	0.50
94	5.53	5.59	0.17	1.17
96	4.11	4.37	0.39	1.59
98	2.50	3.29	1.14	2.51
100	1.45	2.33	2.09	3.55
102	0.61	1.50	3.25	5.08
104	0.31	1.14	4.59	6.36

Estimated volume total, Calls 10 Puts 2

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Jan.	Puts—Last Dec.	Puts—Last Jan.
15500	0.10	—	0.00	—
15750	5.60	0.71	0.00	0.31
16000	3.10	6.57	0.00	0.67
16250	0.82	4.69	0.22	1.29
16500	0.02	3.14	1.92	2.24
16750	0.00	1.96	4.40	3.56
17000	0.00	1.14	6.90	5.24
17250	0.00	0.61	9.40	7.21

Estimated volume total, Calls 0, Puts 2

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

MONEY MARKETS

Money supply has little impact

CREDIT CONDITIONS tightened in late trading on the London money market yesterday, in spite of an over supply of help from the Bank of England. November UK money supply and bank lending figures were above the general level of forecasts, but had little impact. Sterling M3 money supply grew by 1.25 per cent, compared with forecasts of 0.75 per cent to 1.00 per cent, while bank lending increased to £3.9bn, against a highest forecast of £3bn. Three-month interbank closed unchanged at 11⅜-11¼ per cent, but overnight interbank rose to a peak of around 13-12 per cent in the afternoon, after intervention by the authorities.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a money market shortage of £200m, and provided total help on the day of £287m.

Before lunch the authorities bought £42m bills outright, by way of £34m bank bills in band 2 at 10½ per cent; £1m bank bills in band 3 at 10¾ per cent; and £7m bank bills in band 4 at 10½ per cent.

In the afternoon the Bank of England purchased £195m bills outright, through £52m bank bills in band 1 at 10¾ per cent; £39m bank bills in band 2 at 10½ per cent; and £104m bank bills in band 4 at 10½ per cent.

Late assistance of around £50m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £277m, with a rise in the note circulation, ahead of the Christmas holiday, absorbing £120m. These outweighed Exchequer transactions adding £205m to liquidity.

In Frankfurt the West German Bundesbank set a money supply target of 3 per cent to 6 per cent for growth in 1987, at yesterday's council meeting. This compares with the target for 1986 of 3½ per cent to 5½ per cent. The central bank said that the widening of the target range was made in view of current especially marked uncertainties. The Bundesbank added that it wanted to reinforce the primary goal of its policy in keeping the value of money stable. The council meeting also left credit policy unchanged, with the discount rate at 3.5 per cent and the Lombard rate at 5.5 per cent. Call money rose slightly to 4.70 per cent from 4.65 per cent in Frankfurt, in spite of an addition of liquidity by the authorities, via state owned banks, to ease a seasonal shortage of credit.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON

CHICAGO

CURRENCY FUTURES

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch 13¼pc 1987	100	−	13.23	10.25
100	97	Treas 10¼pc Cv '87	99	+	10.27	10.95
98	92	Exch 2½pc 1987	98	+	2.53	8.46
101	97	Exch 10½pc 1987	99	...	10.51	10.65
98	93	Funding 6½pc 85-87	98	...	6.58	10.04
101	96	Treas. 10pc 1987	99	−	10.05	11.17
97	90	Treas 3pc 1987	97	...	3.09	8.59
104	99	Treas. 12pc 1987	100	+	11.93	11.16
99	92	Treas 7¾pc 1985-88	96	−	8.01	10.82
[illegible]	96	Exch 10½pc '88	99	+	10.59	11.19
102	95	Treas 4¾pc Cv '88	98	+	9.95	11.23
92	86	Transport 3pc '78-88	92	+	3.24	8.24
102	93	Treas. 9½pc '88	97	+	9.78	11.23
107	98	Treas 11½pc 1989	100	+	11.46	11.25
103	93	Treas 9½pc Cnv 1989	96	+	9.85	11.24
92	82	Treas 3pc 1989	88	−	3.39	8.38
105	95	Treas 10½pc 1989	98	+	10.66	11.21
104	94	Exch. 10pc 1989	97	+	10.28	11.22
107	97	Exch 11pc 1989	99	−	11.07	11.23
93	84½	Treas 5pc 1986-89	89	.....	5.62	9.50
[illegible]	94	Exch 10¼pc Cv '89	100	.....	10.23	10.05
114	103	Treas. 13pc 1990	104	+	12.43	11.20
108½	97	Exch 11pc 1990	99	...	11.07	11.20
113	101	Exch. 12½pc 1990	103	+	12.08	11.20
89	79	Treas. 3pc 1990	84	+	3.55	8.40
100	89	Treas 8¼pc 1987-90	93	.....	8.87	10.62
106	93	Treas. 10pc Cv 1990	96	.....	10.40	11.23
86	76	Exch 2½pc 1990	81	.....	3.07	8.16
112	99	Treas 11¾pc 1991	101	+	11.56	11.23
94	83	Funding 5¾pc '87-91	86	−	6.62	9.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
51	28	♥New Sabra Res C$1	40	.....	—	—	—
353	200	Northgate C$1	298	−7	—	—	—
790	513	RTZ	653	−4	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£137¾	−1	Q9½%	15.5	7.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....	Fin. 13% 97/02	£98¾	.....
Craig & Rose £1	£35	.....	Arnotts	350	.....
Finlay Pkg. 5p	46	−1	CPI Hldgs	42	.....
Holt (Jos) 25p	818	.....	Carroll Inds.	142	.....
IoM Stm. £1	78	+2	Dublin Gas	10	.....
			Hall (R. & H.)	108	+2
IRISH			Heiton Hldgs.	27	.....
Fund 13¼% 1988	£97⅝	.....	Irish Ropes	140	.....
Nat. 9¾% 84/89	£91⅝	.....	Unidare	285	+10

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(International Edition Page 42)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2

* New time dealings may take place from 9.00 am two business days earlier.

Government bonds steady in late trading but shares give ground in quiet session

The UK securities markets moved uncertainly in thin trading yesterday as the major investment houses began to balance their positions ahead of the Christmas holiday. Government bonds ended with minor gains, after recovering from a brief setback in the face of the latest UK money supply statistics. Oil shares, depressed by the lack of news from the Opec meeting in Geneva, steadied in late dealings on reports that the oil ministers would reconvene later last night.

Pharmaceutical issues again featured in the stock market. Glaxo surged ahead in heavy trading — 7.5m shares changed hands — but ended well below the best as the market waited for details of the new drug, expected to be disclosed at the meeting of the British Pharmaceutical Society. Glaxo shares were bought from all quarters, with some traders caught out when US buyers joined those from Japan and London.

Elsewhere among the drug issues, Fisons edged higher after confirming that Tilade, its respiratory drug, will be launched to UK doctors in the New Year. Beecham also firmed up.

But the rest of the blue chip sector drifted lower, and market indices were weakened by a sharp fall in Guinness shares on the disclosure that a subsidiary had become a limited partner in an Ivan Boesky investment partnership. More than six million Guinness shares changed hands.

The FT-SE 100 index fell 5.7 to 1630.6, and the FT Ordinary index, at 1270.6, lost 5.5.

There was a minor tug-of-war in the gilt-edged sector, where disappointment in London with the UK bank lending total of £3.9bn disclosed at mid-session, was offset by a re-appearance of the foreign buyers, albeit on a modest scale. Early gains of ¼ were trimmed on the bank lending news, but only briefly. The market edged higher again to end with net gains of ¼ or so. The FT Government Securities index added 0.06 to 82.19.

Some analysts commented that the UK Chancellor's discouragement of hopes for a cut in UK taxes was bullish for foreign buyers of gilts. His words indicated Government confidence over election prospects as well as re-assurance of UK fiscal rectitude.

C. E. Heath sold

Lloyds broker C. E. Heath, which last month staved off an unwelcome bid from Mr Ronnie Benzur's PWS and instead chose to merge with Fielding Insurance, ran into persistent nervous selling yesterday on shock news of a defection of staff to Citicorp. The shares, which have also been unsettled of late by adverse comment about its Pinnacle reinsurance subsidiary, plummeted to 429p before closing 24 down on balance at 435p. Others in the sector gave ground in sympathy with Sedgwick 6 lower at 317p and Stewart Wrightson 8 cheaper at 435p. Bradstock, meanwhile, celebrated news of the bumper profits and proposed 100 per cent scrip issue with a rise of 10 at 403p, while Windsor Securities also derived strength from trading news and closed a penny dearer at 43p, after 44p.

Preliminary profits around £5m below analysts' estimates induced selling of Guinness Peat which closed 7 down at 87p. Elsewhere in the banking sector, Hill Samuel advanced 16 to 381p largely due to the efforts of an overseas buyer, while Hambros were also supported at 227p, up 4. J. Rothschild, however, cheapened a couple of pence to 131½p following the interim figures. Standard Chartered lost 7 more at 787p after further profit-taking in the absence of news regarding Mr Tan Sri Khoo Teck Puat's 6.28 per cent stake in the company; it has been rumoured of late that Mr Robert Holmes à Court had acquired the stake prior to launching a full scale bid for Standard. Barclays attracted a turnover of around 2m shares and the close was 3 dearer at 490p, but Lloyds were friendless at 447p, down 7, following a trade of 1.7m shares.

Leading UK market research group, MIL Research, managed a small premium over the 144p placing price in first-time dealings. The price opened at 149p and drifted slightly easier to close at 147p. USM-newcomer Hornby Group, the toy and model group manufacturer, fetched a bigger premium but after starting at 122p fell back to end at 108p compared with the placing price of 100p.

In contrast to Wednesday's extremely subdued session, Breweries attracted substantial interest. Guinness returned to the fore with some 8.2m shares traded following reports of a proposed link with disgraced US arbitrageur Ivan Boesky; although initially resilient to the news, Guinness fell 19 to 280p amid talk that around 2m shares were on offer. Elsewhere, attention centred on Grand Metropolitan which finished a mixed reporting season among leading Breweries by revealing full-year profits at the top-end of expectations; the shares subsequently succumbed to profit-taking, however, and fell 4 to 456p.

Stores retreat

Cements were inclined harder following news that strict limits are to be introduced on Greek imports. Blue Circle edged up a few pence to 656p and Rugby 2 to 182p; the latter announced the acquisition of two US companies involved in the distribution of joinery products for a total consideration of $29.5m. Bid speculation continued in Nottingham Brick which advanced 17 more to 300p, while further consideration of the preliminary figures and proposed one-for-one scrip issue prompted a rally of 5 to 384p in Y. J. Lovell.

The Chancellor's declaration that there will be very little scope for reductions in taxation in next year's Budget depressed leading retailers. Dixons gave up 8 at 308p and Marks and Spencer cheapened 2 afresh at 174p as did Storehouse at 265p. Well over 5m Burton shares changed hands and the close was a few pence lower at 257p. Perennial takeover favourite Sears also attracted a good trade (4.6m), but closed 1½ off at 118½p. Elsewhere, Brammer dropped to 68p on news that merger discussions with City and Westminster had been terminated before rallying to end the session a couple of pence dearer on balance at 72p.

Confirmation that the Government is to purchase the American Boeing AWACS system and not GEC's Nimrod was already well discounted and GEC ended an active session—13m shares changed hands—a penny dearer at 166p, after 167p. Plessey improved a couple of pence to 175p on the decision. Elsewhere in Electricals, Burgess fell 18 to 203p on news of the £16.2m rights issue, called to help finance acquisitions, while profit-taking clipped 7 from MK, at 370p. Cifer touched 174½p before closing a fraction dearer at 169p following the strong profits recovery and Amstrad hardened a couple of pence to 117p after publicity given to a broker's circular.

Engineers recorded several noteworthy movements. James Neill featured a jump of 29 at 181p on the final £13m insurance settlement arising from the fire at the Neill Tools' factory premises at Handsworth, Sheffield. Bullough, still reflecting acquisition news and the good preliminary figures, advanced 15 further to 425p, while bid hopes prompted fresh demand for Ransomes Sims, which gained 12 further to 218p. Braithwaite closed a few pence firmer at 157p following the half-year statement. TI Group made further progress at 473p, up 4, but Simon fell 10 to 288p on fears that the Valuable bid may be referred to the Monopolies Commission.

Foods generally held close to the overnight positions, movements of note being restricted to secondary counters such as Squirrel Horn which put on a few pence to 69p amid speculation of an imminent change of control. Watson and Philip hardened 2 to 158p in response to the increased profits.

Glaxo improve afresh

Interest in the miscellaneous industrial leaders again centred on the pharmaceutical issues. Glaxo were a particularly lively market and made further good progress in anticipation of today's expected announcement of a new drug, before late profit-taking left the quotation well below the best with a rise of 22 on the day at 1048p. Beecham advanced afresh to close 2 better at 432p, while Fisons, which announced that its new respiratory drug Tilade will be launched to general practitioners in the UK early in January 1987, held steady at 538p. Demand persisted for Reckitt and Colman, up 12 more at 844p. Elsewhere, Pilkington were actively traded (6.9m) as the company further rejected the bid from BTR and buyers pinned their hopes on an increased offer. Up to around 665p at one stage, Pilkington eventually settled at 655p for a rise of 14 on the day. Bristol Fogarty advanced 57 to 154p on the agreed share exchange, or cash offer from Celoroll which closed 12 lower at 219p. Press mention prompted occasional interest in Wolseley, up 7 at 360p. Revived demand left Thomson T Line 12 to the good at 287p and Shiloh 7 dearer at 208p.

Aspinall Holdings provided a bright spot in the Leisure sector, rising 7 to 111p in response to better-than-expected preliminary figures.

Austin Rover's agreement with Honda to build a new medium range car to be known in the UK as AR8 aroused small buying interest in Rover which touched 39p before reverting to the overnight 38p. Commercial Vehicle maker ERF, however, tumbled after news of sharply lower interim profits to close 7 down at 63p. Distributors highlighted strength in T. Cowie, up mainly on the efforts of one broker who took the market out of stock. Speculative activity developed afterwards and T. Cowie eventually gained 18 to 214½p.

Fresh demand in a restricted market forced Western Motor 13 higher to 213p but Lex Service continued to lose ground at 283p, down 6.

Ferguson Industrial's £7.3m US acquisition—80 per cent of Empery Corporation has been purchased with an option to buy the outstanding equity—made scant impact on the share price at 270p. The deal mainly involves the issue of 2.6m new shares which have been placed by Alexanders Laing & Cruickshank at 258p per share. Sterling Publishing reacted 7 to 89p following the interim results but Associated Newspapers went ahead to a new 1986 peak of 385p, up 7.

British Land cheapened 2½ more making a two-day reaction of 5½ at 172½p following comment on the acquisition of the Euston Centre from P & O for some £65.4m. Land Securities, at 328p, and MEPC, at 339p, lost 5 apiece, while Abaco eased a couple of pence to 65p following news of the acquisition of a 55 per cent shareholding in Mortgage Systems. Bredero touched 144p before closing unaltered at 141p on the bid from Slough Estates. Speyhawk closed 10 lower at 345p after the annual figures, while Marler Estates relinquished 8 at 590p.

Uninspiring first-half figures and an official denial of any bid approaches failed to shake holders' faith in Victoria Carpets which fluctuated between 125p and 135p before closing a net 3 lower at 130p. Munton Bros were quoted ex-rights at 20p with the new nil-paid shares at 6p premium, while Debron Investments returned from suspension following approval of the reorganisation proposals and settled at 50p. S. Lyles were again popular and advanced 3 more to 117p but USM-listed Pantherella came back 6 to 116p.

Mercantile House remained under pressure on vague rumours of problems within its marketmaking division and the shares lost 7 further to 296p. Among Investment Trusts, light buying in a very small market caused Tor to rise 30 to 515p, while Child Health gained 20 more to 420p.

BP rally from lowest

Oils initially showed frustration with Opec's continued bickering and British Petroleum fell to 692p before rallying late to end only 3 easier on balance at 699p. Other leaders followed a similar pattern to register net small losses. Canada's Ranger Oil was immune and picked up 10 to 318p on domestic market influences, while L. C. Gas jumped 14 to 898p after the mid-term results and proposed restructuring of the group. Among the more speculative counters, Conroy Petroleum dipped 8 to 103p and Lyonder Petroleum gave up 5 at 27p.

Australian mines, having put on a bright showing in both domestic and London markets helped by the Federal Government's decision to maintain the tax-free status of gold mines, encountered sporadic profit-taking and consequently finished with a decidedly irregular appearance. Golds made fresh progress, particularly Central Norseman which firmed 8 more to record a three-day improvement of 75 to 708p. Leading diversified counters, however, displayed a slightly easier bias with Renison 10 cheaper at 446p, and MIM Holdings a couple of pence down at 114p.

South African Golds remained a backwater. The apparent deadlock at the Opec meeting in Geneva precluded demand for bullion for most of the day, and the metal drifted to $390.75 at the afternoon fixing. Bullion steadied in the later business, however, and closed a net $1 up at $393 an ounce on hopes of a settlement following the formal meeting of ministers. Despite renewed and selective interest from the Cape, quotations drifted throughout to finish at or around the day's lowest levels. The FT Gold Mines index fell 4.8 to 311.3.

Financials UK-registered showed modest losses. Consolidated Gold Fields, firm earlier in the week following news of the possible flotation of part of its UK gold mining interests next Spring, encountered persistent small offerings, and despite a lively traded option business, gave up 4 to 653p. RTZ fell 4 to 653p, while news of the preliminary profits recovery failed to inspire Greenwich Resources, a couple of pence cheaper at 156p.

Traded Options

Total contracts transacted in traded options amounted to 32,529 — a figure well short of recent levels, but still seen as encouraging in the wake of the expiry of the December series on Wednesday. British Gas recorded 7,942 calls and 2,798 puts. Business elsewhere centred on Hanson Trust, 1,980 calls, Consolidated Gold Fields, 1,125 calls, and Marks and Spencer with 1,427 calls. A lively and evenly-balanced turnover developed in Guinness which attracted 889 calls and 978 puts.

Traditional Options

- First dealings Dec 15 Jan 5 Jan 19
- Last dealings Jan 2 Jan 16 Jan 30
- Last declaration Mar 19 Apr 2 Apr 23
- For Settlement Mar 30 Apr 13 May 5

For rate indications see end of Unit Trust Service

Money was given for the call in Kellock Trust, Rover, Spong, Birmid Qualcast, Sound Diffusion, Metal Closures, Allied London Properties, Hestair, London Securities, Sun Oil, Greenwich Resources, North Kalgurli, Myson, Pentland, Amstrad, Evered, Turner and Newall, Hillsdown and Bristol Oil and Minerals. No puts were reported, but a double was transacted in Greenwich Resources.

FINANCIAL TIMES STOCK INDICES

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 12	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.19	82.13	82.30	82.39	82.34	82.85	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.17	89.15	89.25	89.08	89.00	88.72	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,270.6	1,276.1	1,279.6	1,280.3	1,280.4	1,114.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	311.3	315.9	316.6	313.2	311.7	256.4	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.49	4.47	4.47	4.47	4.47	4.46				
Earnings Yld.%(full)	10.63	10.60	10.60	10.61	10.62	11.08				
P/E Ratio (net) (*)	11.54	11.57	11.58	11.57	11.56	11.14				
SEAQ Bargains (5pm)	30,087	34,425	38,336	29,882	30,340	—				
Equity Turnover (£m)	—	1,270.07	1,360.01	1,150.645	1,166.95	476.37				
Equity Bargains	—	62,517	61,657	45,834	45,522	19,323				
Shares Traded (ml)	—	586.9	703.9	505.3	571.6	237.8				

S.E. ACTIVITY

Indices	Dec. 17	Dec. 16
Gilt Edged Bargains	101.9	130.9
Equity Bargains	405.1	399.5
Equity Value	2567.1	2748.9
5-Day Average		
Gilt Edged Bargains	122.3	122.3
Equity Bargains	346.5	344.2
Equity Value	2449.3	2425.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1273.8	1272.4	1275.7	1273.6	1271.6	1271.8	1271.9	1269.6

Day's High 1276.1. Day's Low 1267.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.12.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (73)

BANKS (1) Banco de Bilbao. BRITISH FUNDS (2) BUILDINGS (3) Bryant, British Dredging Hldgs, Latham. CHEMICALS (1) Ellis & Everard. STORES (3) Debfor, Pepe Group, Usher (F.). ELECTRICALS (1) Colinue Intl. ENGINEERING (5) Brasway Bristol Channel Ship, Bullough, Tyzack Turner, Utd Spring. FOODS (2) Snodown & Bridge, Squirrel Horn. HOTELS (1) Queen's Moat 7pc Cnv. INDUSTRIALS (11) British Vita, Fogarty (E.), Hodgson, Hunting Assoc, Nash Inds, Nu-Swift, Pilkington Bros, SAC Int, Sinclair (Wm.), Thomson T-Line, Whatman Reeve Angel. INSURANCE (1) London United. LEISURE (1) Zetters. MOTORS (2) Plaxtons, Quick (H. & J.). NEWSPAPERS (2) Assoc News, Bristol Evening Post. PAPER (2) Assoc Paper, WPP. PROPERTY (3) Caird (A.), Hampton Trust, Prop Partnership. SHOES (1) Pittard. TEXTILES (2) Beales (J.), Lyles (S.). TRUSTS (20). OILS (3) Enterprise Oil Imp Cont Gas Do 8pc '95-2000. OVERSEAS TRADERS (1) Sime Darby. PLANTATIONS (1) Moran. MINES (4) Gold Mines Kalgoorlie, Hawk Ans, Swan Resources, Anglo Dominion.

NEW LOWS (18)

BANKS (1) TSB. BREWERS (1) Guinness 5¼pc Cnv Prf. CHEMICALS (1) Morceau. STORES (1) Ashley (L.). ELECTRICALS (1) Melterware. ENGINEERING (1) Bullough. FOODS (2) Batleys, Hillards. INDUSTRIALS (5) High-Point Services, Huntleigh Tech, NMW Computers, Pacific Sales, Sidlaw. PAPER (3) Abbott Mead Vickers, Fitch, KLP Group. SHIPPING (1) Sea Containers. TEXTILES (1) Pantherella.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,100	146	−1
Allied Lyons	3,000	306	−3
BAT	1,000	468	−4
BOC	830	361	+2
BTR	1,600	265	−5
Barclays	2,000	490	+3
Bass	469	727	−4
Beecham	3,700	432	+2
Blue Circle	3,000	656	+4
Boots	2,300	223	−1
Brit. Aero	367	488	−5
Brit. Gas	105,000	62½	−1
Britoil	3,200	164½	−½
BP	3,300	699	−3
Brit. Telecom	9,800	203	+2
Burton	5,600	258	−2
Cable & Wire	1,400	320	−2
Cadbury Schwps.	1,100	183	—
Coats Viyella	866	466	−1
Comm. Union	1,200	262	−5
Cons. Gold	390	663	−4
Courtaulds	1,100	312	+4
Dee Corp	1,100	202	−2
Dixons Grp	2,700	308	−8
Fisons	1,700	538	—
Gen. Accident	743	785	−22
Gen. Elect.	13,000	167	+2
Glaxo	7,500	£10½	+¼
Grand Met	4,500	456	−4
Gus "A"	795	£10¾	−½
Guardian R.E.	307	760	−7
GKN	2,900	262	—
Guinness	8,200	280	−19
Hanson Trust	3,100	186	—
Hawker Sidd	1,700	425	−10
ICI	985	£10⅞	—
Jaguar	432	516	−2
Ladbroke	242	366	−2
Land Securities	714	328	−5
Legal & Gen.	1,500	244	−2
Lloyds Bnk	2,300	447	−7
Lonrho	151	231½	−1½
Marks & Spncr	3,700	174	−2
Midland Bank	598	569	+2
NatWest Bank	630	519	+2
Pearson	687	559½	+½
P & O	1,200	490	−5
Pilkington Bros	6,900	655	+14
Plessey	2,700	175	+2
Prudential	851	804	−3
Racal	2,200	173	—
Rank Org	386	525	−3
Reckitt & Col	520	844	+12
Reuters	372	564	−9
RTZ	120	653	−4
Rowntree Mac	1,500	393	+1
Royal Insurance	1,100	830	−4
STC	1,100	171	+3
Sainsbury	372	412	—
Sears	5,100	118½	−1½
Sedgwick	2,600	317	−6
Shell Trans	2,900	966	−2
Smith & Nephew	3,400	120	—
Standard Chart	173	787	−7
Storehouse	871	265	−3
Sun Alliance	423	628	−9
TSB	4,100	73	−1
Tesco	580	383	−2
Thorn EMI	1,500	467	−5
Trafalgar House	11,000	259	−1
T'house Forte	3,200	170	−2
Unilever	198	£21⅛	−⅛
United Biscuits	2,100	232	−2
Wellcome	2,300	216	+1
Woolworth	253	672	−6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	6	39
Corporations, Dominion and Foreign Bonds	11	11	47
Industrials	302	568	665
Financial and Properties	106	192	285
Oils	15	36	62
Plantations	3	1	10
Mines	26	51	108
Others	35	93	76
Totals	565	958	1,292

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Thursday December 18 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed Dec 17 Index No.	Tues Dec 16 Index No.	Mon Dec 15 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	673.90	—	9.27	3.87	13.65	17.01	674.25	676.49	677.38	567.40
2 Building Materials (27)	852.74	+0.2	8.90	3.61	14.15	18.98	850.83	853.44	853.97	620.12
3 Contracting, Construction (29)	1165.74	+0.3	8.10	3.99	16.96	32.81	1162.80	1164.09	1158.61	911.33
4 Electricals (12)	1726.59	+0.2	8.73	4.88	14.71	56.02	1723.94	1732.30	1735.00	1516.33
5 Electronics (38)	1447.48	+0.9	9.97	2.85	13.30	30.56	1434.15	1441.71	1444.20	1415.92
6 Mechanical Engineering (61)	381.09	−0.5	10.38	4.34	12.26	11.18	382.82	382.28	382.17	320.76
8 Metals and Metal Forming (7)	344.79	−0.7	10.28	4.31	12.04	10.25	347.29	348.97	348.97	241.31
9 Motors (15)	261.37	−0.5	10.58	4.02	10.90	6.73	262.67	264.65	263.87	203.67
10 Other Industrial Materials (21)	1157.14	−1.2	7.67	4.75	15.47	30.57	1171.25	1176.58	1186.01	1004.57
21 CONSUMER GROUP (186)	931.37	−0.4	8.21	3.42	15.34	21.04	935.07	934.35	934.31	758.67
22 Brewers and Distillers (22)	919.41	−1.6	9.15	3.70	13.67	17.52	934.76	934.57	941.15	768.72
25 Food Manufacturing (24)	728.46	−0.2	9.31	3.87	14.07	19.22	730.18	734.27	734.71	561.49
26 Food Retailing (16)	1812.89	−0.4	7.29	2.97	19.11	35.41	1820.51	1835.15	1838.78	1731.45
27 Health and Household Products (10)	1619.20	+1.3	5.87	2.34	19.76	26.19	1598.61	1568.32	1539.98	1203.89
29 Leisure (29)	958.64	−0.5	7.84	4.23	16.67	26.00	963.34	967.71	966.93	751.48
32 Publishing & Printing (14)	2697.29	−0.4	7.22	4.23	17.85	77.81	2708.80	2722.21	2727.26	1822.66
33 Packaging and Paper (14)	484.11	+0.3	7.09	3.45	18.28	11.74	482.56	483.64	481.50	362.72
34 Stores (38)	806.05	−1.1	7.89	3.34	17.21	17.41	814.86	818.80	828.87	761.92
35 Textiles (17)	545.17	+0.4	9.78	3.75	11.77	14.49	543.21	541.56	540.39	378.45
36 Tobaccos (2)	1308.38	−0.8	12.65	3.95	8.68	36.99	1318.95	1308.38	1296.40	892.58
41 OTHER GROUPS (86)	799.41	—	9.04	4.16	14.20	17.75	799.03	799.20	796.25	706.07
42 Chemicals (20)	1009.24	+0.1	8.79	4.35	13.86	29.59	1008.29	1006.32	1008.50	731.17
44 Office Equipment (4)	257.01	−0.5	7.23	4.14	16.72	7.55	258.37	259.18	256.66	211.02
45 Shipping and Transport (12)	1503.16	−0.7	7.97	4.64	15.99	46.25	1513.40	1513.70	1520.24	1322.40
47 Telephone Networks (2)	808.27	+0.7	11.58	4.77	11.78	16.67	803.05	802.52	790.96	881.10
48 Miscellaneous (48)	1098.79	−0.4	7.05	3.27	17.48	27.30	1102.84	1105.57	1107.13	869.54
49 INDUSTRIAL GROUP (482)	838.99	−0.2	8.67	3.71	14.61	19.42	840.71	841.11	840.62	702.51
51 Oil & Gas (18)	1464.72	−0.4	11.63	6.19	10.87	62.91	1469.89	1475.57	1481.58	1110.47
59 500 SHARE INDEX (500)	891.97	−0.2	9.10	4.07	13.91	22.85	893.99	894.86	894.95	737.64
61 FINANCIAL GROUP (118)	602.65	−0.6	—	4.74	—	18.95	606.20	606.92	607.27	512.87
62 Banks (8)	667.49	−0.2	18.84	5.50	7.28	24.78	668.73	670.67	668.00	520.75
65 Insurance (Life) (9)	852.63	−0.5	—	4.57	—	27.29	856.96	854.12	857.71	778.62
66 Insurance (Composite) (7)	445.80	−1.4	—	4.87	—	15.57	452.21	452.17	453.79	399.37
67 Insurance (Brokers) (9)	1142.45	−1.5	8.19	4.62	15.91	36.30	1159.62	1155.41	1156.93	1158.79
68 Merchant Banks (11)	341.59	—	—	4.22	—	7.35	341.76	341.35	341.62	280.83
69 Property (49)	794.63	−0.5	6.01	3.65	21.59	19.48	798.88	802.18	804.59	666.84
70 Other Financial (25)	360.73	−0.7	8.93	4.40	13.68	9.81	363.15	364.53	365.00	300.30
71 Investment Trusts (97)	868.70	−0.1	—	2.65	—	16.23	869.27	869.39	866.26	642.57
81 Mining Finance (2)	325.77	−0.6	9.61	4.93	12.24	11.30	327.76	328.09	328.73	244.27
91 Overseas Traders (13)	747.76	−0.4	10.62	5.98	11.39	29.74	750.55	756.71	748.23	586.91
99 ALL-SHARE INDEX (730)	815.04	−0.3	—	4.13	—	21.52	817.34	818.18	818.13	672.66

	Index No.	Day's Change	Day's High	Day's Low	Dec 17	Dec 16	Dec 15	Dec 12	Dec 11	Year ago
FT-SE 100 SHARE INDEX ‡	1630.6	−5.7	1635.6	1623.6	1636.3	1637.9	1637.0	1629.8	1634.0	1390.7

FIXED INTEREST

PRICE INDICES	Thurs Dec 18	Day's change %	Wed Dec 17	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.95	+0.06	118.88	—	11.26
2 5-15 years	129.32	+0.17	129.09	—	13.32
3 Over 15 years	134.42	+0.04	134.37	—	13.41
4 Irredeemables	147.64	+0.03	147.60	—	13.57
5 All stocks	127.81	+0.11	127.67	—	12.76
Index-Linked					
6 5 years	115.96	+0.14	115.79	—	2.00
7 Over 5 years	112.91	+0.30	112.57	—	3.01
8 All stocks	113.37	+0.27	113.06	—	2.84
9 Debentures & Loans	110.53	+0.19	110.32	—	11.72
10 Preference	78.90	+0.12	78.81	—	6.36

AVERAGE GROSS REDEMPTION YIELDS	Thurs Dec 18	Wed Dec 17	Year ago (approx.)
British Government			
1 Low Coupons 5 years	9.89	9.89	10.19
2 15 years	10.44	10.46	10.33
3 25 years	10.44	10.46	10.34
4 Medium Coupons 5 years	11.18	11.21	11.21
5 15 years	10.79	10.80	10.69
6 25 years	10.47	10.47	10.30
7 High Coupons 5 years	11.24	11.26	11.30
8 15 years	10.97	10.98	10.84
9 25 years	10.53	10.53	10.47
10 Irredeemables †	10.20	10.20	9.80
Index-Linked			
11 Inflat'n rate 5% 5 yrs	3.76	3.82	0.0
12 Inflat'n rate 5% Over 5 yrs	3.74	3.76	0.0
13 Inflat'n rate 10% 5 yrs	2.17	2.23	0.0
14 Inflat'n rate 10% Over 5 yrs	3.57	3.59	0.0
15 Debs & Loans 5 years	11.75	11.76	11.58
16 15 years	11.66	11.68	11.41
17 25 years	11.56	11.59	11.40
18 Preference †	11.84	11.85	11.92

‡Opening index 1631.6; 10 am 1631.1; 11 am 1635.1; Noon 1632.8; 1 pm 1632.0; 2 pm 1632.2; 3 pm 1632.1; 3.30 pm 1630.4; 4 pm 1630.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Midland Bk (*570)	500	85	95	105	3	8	19
	550	45	55	68	11	18	27
	600	15	22	34	37	42	50
P. & O.	460	42	53	68	4	10	15

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December 18. Total Contracts 32,529. Calls 22,997. Puts 9,532. FT-SE Index. Calls 167. Puts 7,030. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Dec. 18	Price Sch.	+ or −
Creditanst'lt pp	2,130	+6
Goesser	2,310	−20
Interunfall	13,400	+300
Jungbunzlauer	11,600	+90
Laenderbank	2,100	−10
Perlmooser	605	−6
Steyr Daimler	156	
Veitscher Mag	11,120	+9

BELGIUM/LUXEMBOURG

Dec. 18	Price Frs.	+ or −
B.B.L.	3,090	−10
Banq. Gen. Lux.	16,500	
Banq. Int. A.Lux.	15,060	
Bekaert	10,500	−325
Ciment CBR	3,990	−55
Cockerill	180	−2
Delhaize	7,890	+65
EBES	4,880	−80
Electrobel	14,925	
Fabrique Nat.	1,610	−95
GB Inno BM	9,010	+60
GBL (Brux)	5,370	−40
Generale Bank	6,070	−20
Gevaert	0,100	
Hoboken	7,770	+40
Intercom	3,900	−50
Kredietbank	4,290	+90
Pan Hldgs.	10,650	
Petrofina	9,760	−80
Royale Belge	20,425	−8
Soc. Gen. Belge	4,420	−65
Sofina	11,660	−175
Solvay	0,550	−230
Stanwick Intl.	185	
Tractionel	6,190	−110
UCB	9,430	+30
Wagons Lits	5,600	+10

GERMANY

Dec. 18	Price Dm.	+ or −
AEG	334	−3
Allianz Vers	2,842	+2
BASF	275	−1.7
Bayer	316.0	−1.7
Bayer-Hypo	565	−0.0
Bayer-Verein	025	
BHF-Bank	539	−6
BMW	586.5	+1.5
Brown Boveri	295.0	+0.0
Commerzbank	307.7	−9.3
Cont'l Gummi	343.0	−3
Daimler-Benz	1,237xr	−7
Degussa	465.5	−0.5
D'sche Babcock	202.5	+2.5
Deutsche Bank	824.5	+0.6
Dresdner Bank	409	−1.6
Feld-Muehle Nbl	294	−2
Henkel	487	−4
Hochtief	910	+10
Hoechst	265.5	−0.6
Hoesch Werke	114	−2
Holzmann (P.)	613	+5
Horten	259	−5
Husse!	615	−9
Karstadt	481	−6
Kaufhof	016	+1
KHD	177	−1
Kloeckner	81	−2.2
Linde	733	−12
Lufthansa	102	−6.0
MAN	190	−0
Mannesmann	175	−6.5
Mercedes Hld.	1,062	−8.6
Metallgesell	296.5	−4.5
Muench Rueck	2,550	−65
Nixdorf	737.0	−7.6
Porsche	1,060	−16
Preussag	177	+1
Rhein West Elect	235	
Rosenthal	370	−6
Schering	683	+6
Siemens	743.0	−6.5
Thyssen	126	−7.7
Varta	404	+4
Veba	293	+0.0
V.E.W.	160	−2.0
Verein-West	475	
Volkswagen	436.5	

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

NETHERLANDS

[illegible]

ITALY

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices December 18

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices December 18

[illegible]

Total Sales 4,435,329 shares

Indices

NEW YORK — DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 841 Declines 612

TORONTO	Dec 18	Dec 17	Dec 16	Dec 15	1986 High	1986 Low
Metals & Minls	1,916.40	1,948.50	1,965.23	1,964.2	2,442.86 (21/3)	1,917.4 (5/8)
Composite	3,027.78	3,028.48	3,038.6	3,031.00	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	531.15	526.36	1,528.3	1,525.50	1,623.3 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

World indices

[illegible]

** Saturday December 13: Japan Nikkei (c). TSE (c).

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Tr. 2½pc I-L 16 A	£94¾	+ ⅝
Aspinall	111	+ 7
Assoc. News.	385	+ 7
Bradstock	403	+10
Bullogh	325	+15
Child health	420	+20
Cowie (T.)	215	+18
Fogarty (E.)	154	+57
Glaxo	£10½	+ ⅛
Hill Samuel	381	+10
Imp. Cont Gas	586	+14
Neill (J.)	181	+29
Nott. Brick	300	+17
Pilk. Bros.	655	+14
Ranger Oil	318	+10
Ransomes Sims	218	+12
Reck & Colman	844	+12
Western Motor	213	+13

FALLS

Burgess Prod.	203	−18
Dixons	306	− 8
ERF	63	− 7
Guinness	280	−19
Guinn. Peat	87	− 7
Heath (C. E.)	435	−24
Lex Service	283	− 6
Herc. House	296	− 7
Pantherella	120	− 6
P. & O. Defd.	490	− 5
Stand Chart.	783	− 7
Sterling Publ	89	− 7

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 45

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	16 1/4	AAR s	.44	1.8	18	220	25 1/4	24 5/8	25 1/8	+ 5/8
30	21 3/4	ADT	.92	3.4		341	27 3/8	26 7/8	26 7/8	- 1/2
33	16 1/2	AFG s	.12t	.4	15	544	30 3/8	29 1/2	29 5/8	+ 1/2
29	16 3/4	AGS			18	206	27 1/4	26 3/4	26 7/8	- 1/2
15	7	AMCA				18	7 1/8	7 1/8	7 1/8	
62 1/8	39 1/4	AMR			13	1434	56 1/2	55 1/2	55 3/4	
27 1/2	23 3/4	ANR pf	2.67	10.		1	26 1/4	26 1/4	26 1/4	
24 3/4	20 1/8	ANR pf	2.12	8.8		120	24 1/8	24 1/8	24 1/8	+ 1/8
16 3/4	10	ARX	.71t	6.1	11	175	11 5/8	11 3/8	11 5/8	+ 1/8
41 1/2	26 3/4	ASA	2a	5.5		140	37	36 5/8	36 5/8	- 1/8
18 5/8	9 3/4	AVX		2.8		144	11 3/8	11	11 3/8	+ 3/8
32	26	AZP	2.72	9.6	8	1168	28 1/2	28 3/8	28 3/8	
55	31 5/8	AbtLb s	.84	1.6	21	4162	45	47 1/2	47 1/2	- 3/8
32	25	AccoWd	.56	2.1	17	252	26 1/2	26	26 3/8	
14 7/8	9	AcmeC	.40	3.7		124	11	10 3/4	10 3/4	
23 7/8	17 1/2	AdaEx	4.45e	23.		158	19 7/8	19 3/8	19 1/2	
13 5/8	13 1/4	AdmM s				80	13 5/8	d13	13 1/4	
20 3/8	12 1/8	AdvSys	1.45t	8.8	14	81	17	16 7/8	16 7/8	
32 7/8	12 7/8	AMD				2372	14 1/2	14 1/4	14 3/8	
12 5/8	5 1/4	Adobe				106	6 3/8	6 1/2	6 1/4	
18 3/8	13 3/4	Adob pf	1.84	12.		35	15 7/8	15 3/4	15 7/8	
20 1/4	16 3/8	Adob pf	2.40	14.		78	17 1/4	17	17 1/4	
18 3/8	10 7/8	Advest	.12a	.9	18	54	13 1/8	12 7/8	13	
66 1/4	51 1/2	AetnLf	2.64	4.7	6	6821	56	55 1/4	55 3/4	- 1/8
54 5/8	51 1/8	AetL pl	3.94e	7.8		81	52	51 5/8	51 5/8	- 1/4
101 1/2	87 1/4	AetL pfC	5.95e	6.6		21	89 3/4	89 3/4	89 3/4	+ 1/4
71 1/2	34 7/8	AfilPb s	.44	.6	35	321	71 1/2	70 1/2	71 1/4	+ 1/4
28 3/4	15	Ahmns s	.40	2.1	7	5146	22 3/4	21 3/4	22 7/8	- 1/2
5 3/4	2 7/8	Aileen			43	180	3 1/8	3	3	
41 5/8	29 1/8	AirPrd s	.80	2.2	450	1637	36 1/4	35 3/4	36	+ 1/2
32	18	AirbFrt	.60	2.1	20	309	28 5/8	28	28 1/4	
20 3/8	17 1/8	Airlse n				210	18	17 7/8	18	
2	1/4	AlMoan	1.60c			656	13-32	13-32	13-32	
29	25 5/8	AlaP pf	1.94e	7.5		26	26	25	26	- 3/8
10 3/4	8 1/4	AlaP dpf	.87	8.6		1277	10 1/4	10 1/8	10 1/8	+ 1/8
105 1/2	65	AlaP pf	8	8.6		z5470	102	102	102	
107 1/2	88 1/2	AlaP pf	8.44	9.8		z3110	105 3/8	105 3/8	105 3/8	+ 3/4

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
72¼	48⅝	Xerox	3	4.9	13	4180	61⅞	61	61½	+⅛
58¼	54	Xerox pf5.45		0.0		54	55⅜	55⅛	55¼	+¼
39¼	21⅞	XTRA	.64	2.3		376	27⅝	26¾	27¼	+⅛
18¾	13½	Yorkin n				164	16⅞	16⅝	16¾	+⅛
50⅛	29½	ZaleCp 1.40		2.8		279	49⅞	49⅞	49⅞	
6⅞	2¾	Zapata	.03j			072	2½	2⅝	2¾	−⅛
43⅞	30¾	Zayre n	.32	1.3	16	3320	25⅝	25⅜	25½	+⅛
17	8¾	Zemex	.40	2.9	21	176	13⅞	13½	13⅝	
29⅞	17⅞	ZenithE				535	21¼	20¾	21¼	−¼
18¼	0	ZenLab s			88	1216	9⅝	0	9¼	+⅛
32⅞	12⅞	Zero s	.20	1.8	15	373	15⅝	12	15	
45¾	32¾	Zurmin 1.32		3.4	15	174	39⅝	38¼	38¾	−⅛
10⅜	6¾	Zweig n				556	9	8⅞	9	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bewitched, bothered and bewildered

FURTHER unwinding of futures and options ahead of today's Triple Witching Hour forced a limited retreat in stock prices yesterday, *writes Roderick Oram in New York.*

Bond market prices were narrowly mixed as the ebb and flow of news from Opec's meeting in Geneva on oil production cuts pushed prices up and down in a narrow range.

The Dow Jones industrial average closed down 5.49 points at 1,912.82 while the New York Stock Exchange composite index eased 0.46 of a point to 141.10. trading volume was 155.4m with declining shares outpacing rising by a ratio of three-to-two.

Moderately brisk stock trading was dominated as it has been all week by investors squaring their positions ahead of the expiry today of options on stock indices and options and futures on the underlying stocks. Given the rise of stock markets since the previous quarterly expiry in September, the general expectation is for the unwinding of positions to continue to exert downward pressure on stock prices today although prices and volume might not be as volatile near the end of the session as in some past quarters.

Among blue chips, American Express gained $⅝ to $59¼, Coca-Cola eased $⅛ to $38⅜, Digital Equipment lost $⅝ to $106, General Motors declined $1¼ to $66¾, ITT fell $¾ to $52⅞, McDonald's rose $⅝ to $63⅝ and Sears Roebuck was off $¼ to $40⅞.

AT&T declined $1¼ to $26 with volume of more than 4.8m shares making it the most active NYSE stock. It announced a $3.2bn write-off from restructuring charges in the fourth quarter which would leave it with a "small profit" for the full year.

IBM fell $1⅞ to $125⅞. It said it would take a $250m fourth-quarter charge related to the early retirement of 10,000 employees.

Ponderosa, a steakhouse chain, jumped $2⅞ to $28⅝ after it accepted a sweetened offer of $29¼ a share from an investment group led by Mr Asher Edelman, a New York corporate raider. Its earlier offer was $27½.

Diamond Shamrock lost $1 to $12⅝. Mesa Limited Partnerships run by Mr T. Boone Pickens, the Texas oilman and corporate raider, dropped its bid for the company after the board rejected it as inadequate. Mesa, up $⅛ to $16¼, had proposed a one-for-one share swap offer valuing Diamond Shamrock at about $2bn.

Ranco, a controls manufacturer, climbed $6¾ to $37⅞. Siebe, a British industrial group made an agreed bid of $40 a share.

Interco, a clothing manufacturer and retailer, gave up $1⅞ to $40⅝ after announcing an agreed bid for Lane which was up $¾ to $57. Interco is offering 1.5 of its shares for each of the furniture makers, dropping an earlier $55 a share cash bid.

Rorer fell $1¼ to $38⅞. The health care group said it would not dispose of its drugs unit after all.

Government bond prices moved in tandem with the news from the Opec meeting rising on signs of failure to agree on production cuts and falling on indications of imminent success. The 7.50 per cent benchmark Treasury long bond finished up ⅛ of a point at 101⅝ at which it yielded 7.36 per cent. In contrast, prices at the short end of maturities were unchanged to slightly lower.

The Federal Reserve supplied reserves to the system with a four-day system repurchase when the Fed funds rate stood at 6⅞ per cent. The sharp rise in the rate on Wednesday was attributed to an earlier-than-usual increase in bank borrowing from the Fed to cover the heavy cash demands of the Christmas period. It ended the day at 6⅝ per cent.

The Treasury's auction of four-year notes brought an average yield of 6.64 per cent, down from 6.87 per cent at the previous auction on September 30 and the lowest since December 7, 1976. Bidding for the notes was relatively unaggressive and the result had virtually no impact on the market.

LONDON

DRUG MAKERS came to the aid of a weak London market yesterday as heavy trading developed in Glaxo, £¼ up at £10½, ahead of a new drug announcement.

Fisons held unchanged at 538p on volume of 1.7m shares after confirming that its respiratory drug Tilade will launched in the UK next month. Beecham also saw large volume – 3.7m shares – and posted a 2p gain at 432p.

Guinness dropped a sharp 19p to 280p on 8.2m shares on the disclosure that a subsidiary had become a limited partner in an Ivan Boesky investment partnership.

Gilts finished ¼ point higher on some foreign buying.

The FT SE 100 index dropped 5.7 to 1,630.8 and the FT Ordinary index at 1,270.8 showed a 5.5 decline.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages, 40, 41.

HONG KONG

BETTER-THAN-EXPECTED results at the government land auction injected some life into Hong Kong stocks and triggered a small rally among property stocks. The Hang Seng index gained 11.14 to 2,422.22 and the Hong Kong Index advanced 7.61 to 1,543.00.

Among properties Cheung Kong surged 75 cents to HK$35.75, Hutchison Whampoa added 25 cents to HK$41.50 and HK Land firmed 5 cents to HK$6.55.

Trading in Wah Kwong Properties was suspended before the start of the afternoon session with brokers suggesting that the group's major shareholders, members of the Chao family, are about to sell part of their stake. Wah Kwong last traded at HK$1.40.

AUSTRALIA

A SHARP DROP among gold and oil issues pulled Sydney from its recent peaks and trimmed 0.1 off the All Ordinary index at 1,453.8.

Industrials saw sporadic support for banks on the hopes of a cut in local interest rates. National added 18 cents to A$5.86 as Westpac finished 8 cents stronger at A$5.30. Among media stocks, News Corp gained 10 cents to A$18.70 in reaction to Mr Rupert Murdoch's bid for more control of the South China Morning Post, while Fairfax at A$11.05 was 5 cents higher, although Queensland Press moved against the trend again with a 30-cent decline to A$18.50.

CANADA

PRE-CHRISTMAS lethargy gripped Toronto and left most sectors largely unchanged in subdued trading.

Seagram managed a C$⅛ rise to C$88½ amid denials that it planned to dispose of some of its US winemaking interests.

Oils flickered briefly on hopes that Opec would reach a production accord soon. Imperial Oil showed a C$⅜ gain to C$49½ and Shell Canada traded C$⅛ higher to C$26⅝.

Industrials showed the best gains in Montreal as banks edged lower.

SINGAPORE

INSTITUTIONAL bargain hunting continued to push Singapore higher, although turnover remained low at 13.7m shares. The Straits Times industrial index rose 8.54 to 898.7 with most gains registered among blue chips.

Sime Derby, most active with 715,000 shares traded, added 2 cents to S$1.90 as Haw Par gained 4 cents to S$3.00 on 511,000 shares. Selangor Properties was unchanged at S$1.12 with 395,000 shares changing hands.

SOUTH AFRICA

THE FINANCIAL RAND continued to strengthen in Johannesburg and placed more pressure on gold shares despite the higher bullion price. Trading turned quiet, however, ahead of the seasonal holidays.

Vaal Reefs slipped R7 to R360 and Buffels dropped R2 to R73. De Beers shed 85 cents to R33.40 and Rustenburg among platinums dipped 25 cents to R45.25.

TOKYO

Nervous fall fuelled by tax plan

THE OVERNIGHT drop on Wall Street plus reports of a government plan to increase capital gains taxes sparked a wave of small-lot selling and sent share prices lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average finished at 18,723.72, down 124.05 points from the previous day, after shedding 204 points in mid-afternoon. Volume decreased to 431m shares from Wednesday's 553m. Declines outnumbered advances by 580 to 277, with 161 issues unchanged.

Wall Street's plunge, a record-breaking margin buying balance and a possible increase in capital gains tax fuelled concern over high prices, which had begun after the Nikkei average briefly touched record highs on Monday and Tuesday.

Nevertheless, many investors believe that the market was only in a temporary correction phase, at it usually performs strongly toward the new year.

In lacklustre trading, some speculative issues with hidden incentives attracted buying interest.

Nippon Oil topped the active list with 23.84m shares traded and rose Y50 to Y1,450, bolstered by buying by Nikko Securities.

Massive buy orders were placed for Dowa Mining, which has reportedly found a promising gold vein in north-eastern Japan. Dowa, actively traded, scored a daily limit gain of Y80 to Y510.

Tokyo Gas, the second most active stock with 15.82m shares, ended at Y1,140, unchanged from the previous day.

Blue-chip Fuji Photo Film rose Y30 to Y3,750, while Yamanouchi Pharmaceutical and Sankyo, both biotechnology-related issues, gained Y40 each to Y4,040 and Y1,890, respectively.

But buying enthusiasm for other issues was extremely weak. Tokyo Electric Power lost Y160 at one stage before closing Y80 higher at Y8,140.

Bond trading was thin in the absence of fresh incentives to brighten the market.

Securities houses hesitated to enter the market before negotiations between the Finance Ministry and the underwriting syndicate on terms for the January issue of long-term government bonds.

The market did not react to the US commerce Department's announcement that the US gross national product grew at an inflation-adjusted annual rate of 2.8 per cent in the third quarter, down slightly from the 2.9 per cent growth given in the first revised report released earlier.

As a result, the yield on the 5.1 per cent government bond, maturing in June 1996, moved narrowly throughout the day, finishing at 5.275 per cent, compared with Wednesday's 5.295 per cent.

EUROPE

Spain enjoys view from fresh peak

THE OVERNIGHT falls on Wall Street together with persistent concern about domestic interest rates took a toll on some European bourses yesterday but trading was mainly very thin in the run-up to Christmas.

Madrid, however, rose to its fourth consecutive record high on heavy foreign and domestic interest, with the Stock Exchange index reaching 206.78, up 2.68 on Wednesday.

Utilities were strong and communication issues picked up, with Telefonica adding 2 percentage points to 162 per cent of nominal market value.

Among banks, Bilbao put on 21 points to 1,330 per cent and Exterior added 15 points to 365 per cent.

Firmer constructions saw Dragados 6½ points ahead at 442 per cent, while Petroleos in oils was 5 points lower at 370.5 per cent amid the Opec impasse.

Frankfurt finished mainly easier in a quiet, directionless session as many investors took the view that the 1986 trading year was all but over. The Bundesbank's money supply target for next year and its decision to leave key interest rates unchanged came too late to influence the market.

The Commerzbank index fell 27 to 2,030.1.

Under the shadow of Thyssen Stahl's problems and the US move to curb machine tool imports, the steel and engineering sectors fell again. Thyssen itself lost DM 7.70 to DM 126, Hoesch DM 2 to DM 114 and Klöckner DM 2.20 to DM 61, all new lows for the year.

Cars, banks and retailers were all narrowly mixed. Bonds were firmer on end-of-year short-covering. The Bundesbank sold DM 18.6m worth of paper after selling DM 39m on Wednesday in its daily market-balancing operation.

Amsterdam was surprised by KLM's bid for the Hilton International hotel chain and the news failed to boost internationals, with KLM itself only edging up 30 cents to Fl 42.

Instead, the weakness on Wall Street and relatively high Dutch money market rates dampened sentiment in a dull market.

Zurich ended mainly lower although bargain-hunting lifted some share prices after a weak opening. Turnover here, too, was limited, with investors cautious at the end of the year and in advance of Wall Street's triple witching hour.

In communications, Autophon continued Wednesday's rise in the wake of a joint radio venture with Brown Boveri, adding SFr 50 to SFr 8,400. But Brown Boveri lost SFr 5 to SFr 1,820.

Paris was mixed with investors still hesitant about interest rates and tending to take profits as the end of the trading month approaches.

Among car stocks, Peugeot rose FFr 14 to FFr 1,214 after news of Citroën's return to profit and its increased share of the Euroepan market, while Michelin gained FFr 60 to FFr 2,610.

Brussels moved lower, depressed by the decline on Wall Street. Petrofina lost BFr 50 to BFr 9,780.

In steels, Cockerill Sambre eased BFr 2 to BFr 130. The company said later it had agreed voluntary job cuts with the unions.

Milan pursued its upward trend, closing marginally higher in quiet trading.

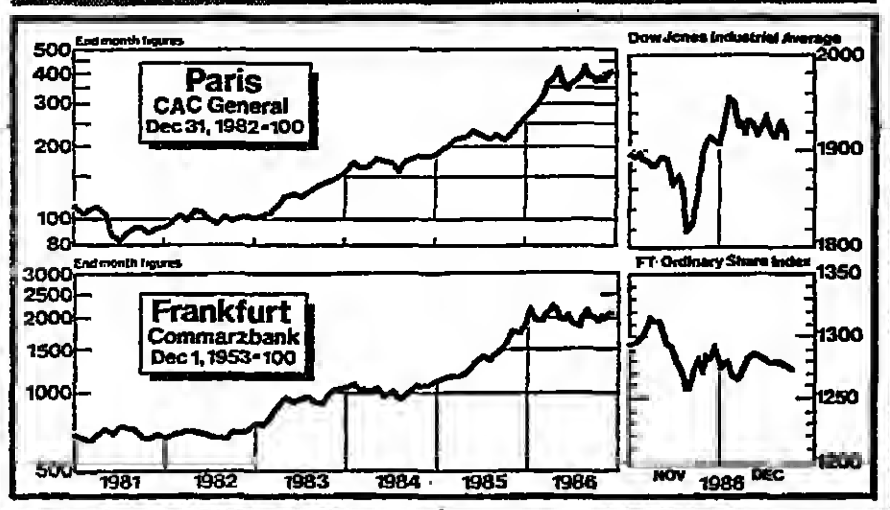
Fiat gained L180 to L13,460 amid market rumours of an advance dividend payment. Olivetti, whose Teknecomp subsidiary plans an increase in share capital, advanced L350 to L13,050.

Stockholm also ended firmer, with forestry shares in particular boosted by the rise in pulp prices. Fermenta share trading remained suspended.

Oslo fell as oil related stocks took the brunt of the drop in crude prices following the deadlock at Opec.

Madrid boom, Page 24

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,912.82	1,918.31	1,542.30
DJ Transport	825.34	829.58	716.29
DJ Utilities	211.02	210.67	173.63
S&P Composite	246.78	247.67	209.81
LONDON			
FT Ord	1,270.6	1,276.1	1,114.0
FT-SE 100	1,630.6	1,636.3	1,378.1
FT-A All-share	815.04	817.34	670.98
FT-A 500	891.97	893.99	737.64
FT Gold mines	311.3	315.9	256.4
FT-A Long gilt	10.53	10.53	10.47
TOKYO			
Nikkei	18,723.72	18,847.77	13,102.3
Tokyo SE	1,552.27	1,563.23	1,045.17
AUSTRALIA			
All Ord.	1,453.8	1,453.8	986.1
Metals & Mins.	712.8	715.2	477.9
AUSTRIA			
Credit Aktien	—	230.49	234.79
BELGIUM			
Belgian SE	4,093.84	4,065.54	2,852.93
CANADA			
Toronto			
Metals & Minls	1,916.40	1,948.50	2,075.0
Composite	3,027.70	3,028.40	2,871.2
Montreal			
Portfolio	531.18	526.35	141.25
DENMARK			
SE	192.70	—	233.67
FRANCE			
CAC Gen	408.50	410.00	251.1
Ind. Tendance	162.50	162.40	94.2
WEST GERMANY			
FAZ-Aktien	672.77	680.06	619.24
Commerzbank	2,030.10	2,057.10	1,844.1
HONG KONG			
Hang Seng	2,422.22	2,411.08	1,726.0
ITALY			
Banca Comm.	697.36	694.84	444.61
NETHERLANDS			
ANP-CBS Gen	278.30	280.20	242.6
ANP-CBS Ind	274.60	277.30	226.0
NORWAY			
Oslo SE	358.26	361.11	396.10
SINGAPORE			
Straits Times	898.57	890.03	622.86
SOUTH AFRICA			
JSE Golds	—	1,889.0	1,105.1
JSE Industrials	—	1,386.0	1,030.7
SPAIN			
Madrid SE	206.78	204.10	100.49
SWEDEN			
J & P	2,448.95	2,447.08	1,724.06
SWITZERLAND			
Swiss Bank Ind	556.90	—	557.6
WORLD	Dec 17	Previous	Year ago
MS Capital Int'l	353.90	355.7	251.6

COMMODITIES

(London)	Dec 18	Prev
Silver (spot fixing)	375.25p	375.25p
Copper (cash)	£931.75	£934.00
Coffee (March)	£1,768.50	£1,750.00
Oil (Brent blend)	$15.85	$15.50

GOLD (per ounce)

	Dec 18	Prev
London	$393.00	$392.00
Zürich	$391.75	$392.45
Paris (fixing)	$391.20	$391.90
Luxembourg	$393.10	$393.35
New York (Feb)	$397.80	$394.20

CURRENCIES

(London)	US DOLLAR Dec 18	Previous	STERLING Dec 18	Previous
$	—	—	1.4310	1.4300
DM	2.0090	2.0160	2.875	2.8825
Yen	162.95	163.60	233.25	234.00
FFr	6.5875	6.60	9.4275	9.4375
SFr	1.6885	1.7010	2.415	2.4325
Guilder	2.2700	2.2780	3.2475	3.2575
Lira	1,394	1,396.5	1,995	1,997
BFr	41.85	41.95	59.90	60.00
C$	1.3795	1.3785	1.9735	1.9720

INTEREST RATES

	Dec 18	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11⅛
SFr	4 7/16	4⅝
DM	5⅛	4 15/16
FFr	8½	8⅞
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	6⅞
6-month US$	6⅜	6⅜
US Fed Funds	6⅝*	5⅞
US 3-month CDs	6.00*	6.275
US 3-month T-bills	5.5950*	5.79

US BONDS

Treasury	December 18* Price	Yield	Prev Price	Yield
6¾ 1988	99 9/32	6.30	99 9/32	6.299
7⅛ 1993	100 5/32	6.96	100 8/32	6.952
7¼ 1996	101 3/32	7.09	101 3/32	7.101
7½ 2016	101 13/32	7.385	101 16/32	7.373

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	160.63	+0.10	6.92	−0.01
1–10	152.68	+0.05	6.62	+0.00
1– 3	142.29	+0.04	6.32	+0.00
3– 5	155.54	+0.02	6.69	+0.00
15–30	189.07	+0.25	7.86	−0.01

Source: Merrill Lynch

Corporate	December 18* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	92.25	6.571	92.295	6.35
SCBT South Central 10⅞ Jan 1993	106.375	9.495	106.375	9.496
Phibro-Sal 8 April 1996	99.50	8.075	99.018	8.15
TRW 8⅜ March 1996	103.75	8.159	103.625	8.178
Arco 9⅞ March 2016	110.75	8.840	110.75	8.84
General Motors 8⅜ April 2016	93	8.792	93	8.792
Citicorp 9⅞ March 2016	100.75	9.298	101.25	9.248

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	100-12	100-29	100-08	100-09
US Treasury Bills (IMM) $1m points of 100%				
March	94.72	94.76	94.71	94.69
Certificates of Deposit (IMM) $1m points of 100%				
Dec	94.028	94.02	—	94.00
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.97	93.98	93.95	93.92
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-10	109-14	109-10	109-12

* Latest available figures